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Checklists and illustrative financial statements for life and Health insurance entities : a financial accounting and reporting practice aid, March 2007 edition

American Institute of Certified Public Accountants. Accounting and Auditing Publications

Lori A. West

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March 2007 Edition

CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS FOR LIFE AND HEALTH INSURANCE ENTITIES

***A Financial Accounting and
Reporting Practice Aid***

Prepared By

Lori West, CPA

Technical Manager,
Accounting and Auditing Publications

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

AICPA®

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*Checklists and Illustrative Financial Statements
for Life and Health Insurance Entities* has not been
approved, disapproved, or otherwise acted upon
by any senior technical committees of the
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or the Financial Accounting Standards Board
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FSP Section 20,000

Checklists and Illustrative Financial Statements for Life and Health Insurance Entities

.01 The checklists and illustrative financial statements in this section have been developed by the staff of the Accounting and Auditing Publications Team of the AICPA as nonauthoritative technical practice aids. Readers should be aware of the following:

- The checklists and illustrative financial statements do not include all disclosures and presentation items promulgated; as a result, pronouncements deemed unlikely to be encountered in financial statements of life insurance companies are not included.
- The checklists and illustrative financial statements are “tools” and in no way represent official positions or pronouncements of the AICPA.

The financial statements and notes checklist have been updated to include relevant disclosure guidance in accounting pronouncements issued through the following pronouncements:

- Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115*, and revised FASB Statements issued through March 1, 2007, including
 - FASB Statement No. 123 (revised 2004), *Share-Based Payment*
- FASB Interpretation (FASBI) No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*
- FASB Technical Bulletin (FTB) No. 01-1, *Effective Date for Certain Financial Institutions of Certain Provisions of Statement 140 Related to the Isolation of Transferred Financial Assets*
- FASB Emerging Issues Task Force (EITF) consensuses adopted through November 2006 meeting
- FASB Staff Positions (FSP) issued through March 31, 2007
- AICPA Statement on Auditing Standards (SAS) No. 114, *The Auditor’s Communication With Those Charged With Governance*
- AICPA Auditing Interpretation No. 1 of AU section 332, *Auditing Derivative Instruments, Hedging Activities, and Investments in Securities*, titled “Auditing Investments in Securities Where a Readily Determinable Fair Value Does Not Exist”
- AICPA Statement of Position (SOP) 06-1, *Reporting Pursuant to the Global Investment Performance Standards*
- AICPA Practice Bulletin (PB) No. 15, *Accounting by the Issuer of Surplus Notes*
- AICPA Statement on Standards for Accounting and Review Services (SSARS) No. 14, *Compilation of Pro Forma Financial Information*

(continued)

- Standards for Accounting and Review Services Interpretation No. 28 of AR Section 100, *Compilation and Review of Financial Statements*, titled "Special-Purpose Financial Statements to Comply With Contractual Agreements or Regulatory Provisions"
- Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 4, *Reporting on Whether a Previously Reported Material Weakness Continues to Exist*

The checklists and illustrative financial statements should be modified, as appropriate, for pronouncements issued subsequent to the above. In determining the applicability of a pronouncement, its effective date should also be considered.

.02 A description of the insurance industry and a description of common accounting and reporting features of stock life insurance companies are presented in the AICPA Audit and Accounting Guide *Life and Health Insurance Entities*.

.03 The checklists and illustrative financial statements should be used by, or under the supervision of, persons having adequate technical training and proficiency in the application of generally accepted accounting principles, generally accepted auditing standards, PCAOB auditing standards, and statements on standards for accounting and review services.

.04 Users of the checklists and illustrative financial statements are urged to refer directly to applicable authoritative pronouncements when appropriate. If you have further questions, call the AICPA Technical Hotline at 1-888-777-7077.

Note: This publication was extracted from sections 20,000 through 20,600 of the AICPA *Financial Statement Preparation Manual* (FSP).

FSP Section 20,100

Introduction

.01 The function of insurance is to pool the risks of many persons who are exposed to similar risks. For a payment known as a *premium*, insurance companies undertake to relieve the policyholder of all or part of a risk and to spread the total cost of similar risks among large groups of policyholders. One of the primary purposes of life insurance is to provide financial assistance to named beneficiaries at the time of the death of the insured. The long-term nature of the coverage involving the risk of death—a risk that increases with age—is the distinguishing characteristic that sets life insurance apart from other forms of insurance. Traditionally, life insurance entities provided life and health products to protect against the loss of financial stability resulting from premature death or illness, and provided annuity products to protect against the risk of outliving one's financial resources. The primary emphasis was on meeting the customer's insurance needs. The provisions of the AICPA Audit and Accounting Guide *Life and Health Insurance Entities*, apply to all life and health insurance entities including stock, mutual, fraternal and assessment entities.

.02 The National Association of Insurance Commissioners (NAIC) codified statutory accounting practices for certain insurance enterprises, resulting in a revised *Accounting Practices and Procedures Manual* (the revised Manual). The insurance laws and regulations of the states require insurance companies domiciled in the states to comply with the guidance provided in the NAIC Accounting Practices and Procedures Manual except as prescribed or permitted by state law.

.03 In December 2001, the AICPA issued SOP 01-5, *Amendments to Specific AICPA Pronouncements for Changes Related to the NAIC Codification*, which amends SOP 94-5, *Disclosures of Certain Matters in the Financial Statements of Insurance Enterprises*, as a result of the completion of the National Association of Insurance Commissioners (NAIC) Codification of statutory accounting practices for certain insurance enterprises.

.04 The amendments to SOP 94-5 included in SOP 01-5 require insurance enterprises to disclose, at the date each balance sheet is presented, a description of the prescribed or permitted statutory accounting practice and the related monetary effect on statutory surplus of using an accounting practice that differs from either state prescribed statutory accounting practices or NAIC statutory accounting practices.

.05 Those disclosures should be made if (a) state prescribed statutory accounting practices differ from NAIC statutory accounting practices or (b) permitted state statutory accounting practices differ from either state prescribed statutory accounting practices or NAIC statutory accounting practices, and the use of prescribed or permitted statutory accounting practices (individually or in the aggregate) results in reported statutory surplus or risk-based capital that is significantly different from the statutory surplus or risk-based capital that would have been reported had NAIC statutory accounting practices been followed.

.06 Those disclosures should be applied by a U.S. insurance enterprise, a U.S. enterprise with a U.S. insurance subsidiary, or a foreign enterprise with a U.S. insurance subsidiary, if the enterprise prepares U.S. generally accepted accounting principles (GAAP) financial statements. If a foreign insurance enterprise that does not have a U.S. insurance subsidiary prepares U.S. GAAP financial statements or is included in its parent's consolidated U.S. GAAP financial statements, the notes to the financial statements should disclose permitted regulatory accounting practices that significantly differ from the prescribed regulatory accounting practices of its respective regulatory authority and their monetary effects.

.07 SOP 01-5 also includes the following auditing guidance that has been updated as a result of the completion of the NAIC Codification: SOP 95-5, *Auditor's Reporting on Statutory Financial Statements of Insurance Enterprises*; SOP 94-1, *Inquiries of State Insurance Regulators*; and AICPA Auditing Interpretation

No. 12, "Evaluation of the Appropriateness of Informative Disclosures in Insurance Enterprises' Financial Statements Prepared on a Statutory Basis," of Statement on Auditing Standards (SAS) No. 62, *Special Reports*, as amended (AICPA, *Professional Standards*, vol. 1, AU sec. 9623.60-.81). The included auditing guidance has been approved by the Auditing Standards Board.

FSP Section 20,200

Checklists—General

.01 AICPA disclosure checklists have been designed as practice aids to assist accountants in the preparation of financial statements and to assist auditors in their evaluation of the adequacy of disclosures in the financial statements they audit. Authoritative literature does not require the use of checklists, nor does it prescribe their format or content.

.02 This checklist consists of a number of questions or statements that are accompanied by references to the established sources of GAAP in which the disclosure requirements are found. These sources include Statements of Financial Accounting Standards, FASB Interpretations, FASB Staff Positions, Accounting Principles Board Opinions, Accounting Research Bulletins, AICPA Audit and Accounting Guides, AICPA Statements of Position, and EITF consensuses. Checklists are designed to serve as convenient memory aids but should not be used as a substitute for direct reference to authoritative literature.

.03 These checklists consist of a number of questions or statements that are accompanied by references to applicable authoritative pronouncements. The checklists provide spaces for checking off or initialing each question or point to indicate that it has been considered. Users should check or initial:

- **Yes**—If the disclosure is required and has been made appropriately.
- **No**—If the disclosure is required but is not made.
- **N/A (Not applicable)**—If the disclosure is not required to be made.

Users may find it helpful to include references to the place where each disclosure for which a “Yes” is indicated can be found in the financial statements. It may also be helpful to include either on the checklist or elsewhere the reasons that items marked “N/A” do not apply in the circumstances of the particular report.

.04 It is important that the effect of any “No” response be considered on the auditor’s report. A “No” response that is material to the financial statements may warrant the issuance of a qualified or adverse report on the financial statements. (See paragraphs 35–60 of SAS No. 58, *Reports on Audited Financial Statements*, as amended [AICPA, *Professional Standards*, vol. 1, AU sec. 508.35–60]). If a “No” response is indicated, the authors recommend that a notation be made in the margin to explain why the disclosure was not made (for example, because the item was not considered to be material to the financial statements) or to indicate the effect that the response will have on the auditor’s report.

.05 At the beginning of certain sections, a ☐ appears in the “N/A” column. If the entire section is deemed to be non-applicable, place a check mark in the ☐ and proceed to the next section.

.06 As you use this checklist, please remember that:

- The exercise of sound professional judgment is of paramount importance in applying the checklist provisions.
- The checklist may require modification based on the engagement circumstances.
- The checklist may not be all-inclusive.
- Users need to modify the checklist for any pronouncements issued subsequent to those mentioned in the checklist.

.07 These checklists and illustrative materials have been prepared by the AICPA staff. They have not been reviewed, approved, disapproved, or otherwise acted on by any senior technical committee of the AICPA and do not represent official positions or pronouncements of the AICPA.

FSP Section 20,300

Financial Statements and Notes Checklist

.01 This checklist has been developed by the Accounting and Auditing Publications Team of the AICPA as a nonauthoritative practice aid for use by preparers and auditors of financial statements.

This checklist includes disclosures commonly encountered in the financial statements of stock life insurance companies and reporting issues likely to be encountered by accountants who audit, compile, and review those types of financial statements. They do not include all disclosures required by GAAP or address all reporting situations that may arise in performing engagements in accordance with GAAS, PCAOB Standards, and SSARS.

.02 Explanation of References:

SFAS =	FASB Statement of Financial Accounting Standards
FASBI =	FASB Financial Accounting Standards Board Interpretation
AC =	Reference to section number in FASB <i>Accounting Standards—Current Text</i>
APB =	Accounting Principles Board Opinion
ARB =	Accounting Research Bulletin
FTB =	Technical Bulletin issued by the staff of the FASB
AAG =	AICPA Audit and Accounting Guide <i>Life and Health Insurance Entities</i>
SOP =	AICPA Statement of Position
EITF =	Emerging Issues Task Force Consensus
FSP =	FASB Staff Position
PB =	AICPA Practice Bulletin
SAS =	AICPA Statement on Auditing Standards
AU =	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)

.03 Checklist Questionnaire:

This checklist is organized into the sections listed below. Carefully review the topics listed and consider whether they represent potential disclosure items for the life insurance company.

	<i>Place ✓ by Applicable Sections</i>
• Balance Sheet	
A. General	_____
B. Cash	_____
C. Investment Securities	_____
D. Investments Accounted for by the Equity Method	_____
E. Impairment of a Loan	_____
F. Accounts and Notes Receivable and Agents' Balances	_____
G. Reinsurance Receivables	_____
H. Lease Finance Receivables	_____
I. Deferred Acquisition Costs	_____
J. Property and Equipment	_____
K. Lessee Leases	_____

*Place ✓ by
Applicable Sections*

L. Other Assets	_____
M. Intangible Assets and Goodwill	_____
N. Separate Account Assets	_____
O. Deposit Accounting	_____
P. Policy Liabilities	_____
Q. Income Taxes	_____
R. Current Liabilities, Notes Payable, and Long-Term Debt	_____
S. Other Liabilities	_____
T. Shareholders' Equity	_____
• Income Statement	
A. Premium Revenue	_____
B. Investment Income	_____
C. Other Income	_____
D. Benefits and Expenses	_____
E. Income Taxes	_____
F. Extraordinary Items, Unusual Items, Infrequent Items	_____
G. Earnings Per-Share	_____
H. Comprehensive Income	_____
I. Other	_____
• Statement of Changes in Shareholders' Equity	_____
• Statement of Cash Flows	_____
• General	
A. Titles and References	_____
B. Disclosure of Accounting Policies	_____
C. Comparative Financial Statements	_____
D. Accounting Changes	_____
D1. Accounting Changes and Error Corrections	_____
E. Risks and Uncertainties	_____
F. Contingencies and Commitments	_____
G. Environmental Remediation Liabilities	_____
H. Related-Party Transactions and Economic Dependency	_____
I. Employee Stock Ownership Plans	_____
J. Employers' Disclosures About Pensions and Other Postretirement Benefits	_____
J1. Employers' Disclosures for Defined Benefit Pension and Other Postretirement Benefits	_____
K. Consolidations	_____
L. Financial Instruments	_____
M. Foreign Currency	_____
N. Impairment of Long-Lived Assets to Be Held and Used	_____
O. Long-Lived Assets and Disposal Groups to Be Disposed Of	_____
P. Transfers and Servicing of Financial Assets and Securitizations	_____
P1. Accounting for Servicing of Financial Assets	_____
Q. Nonmonetary Transactions	_____
R. Subsequent Events	_____
S. Costs Associated With Exit or Disposal Activities	_____
T./T1. Business Combinations	_____
U. Segment Information	_____
V. Postemployment Benefits	_____

*Place ✓ by
Applicable Sections*

- | | | |
|-----------------------------------------------------------------------------------------------------------------|-------|--|
| W. Stock Compensation Plans | _____ | |
| X. Asset Retirement Obligations | _____ | |
| Y. Demutualizations and Formations of Mutual Insurance Holding Companies | _____ | |
| Z. Guarantees | _____ | |
| AA. Fair Value Measurements | _____ | |
| • Auditors' Reports Checklist | _____ | |
| • Supplemental Information for Life Insurance Companies That Are Securities and Exchange Commission Registrants | _____ | |

Yes No N/A

Note: Reminder—A “no” answer is indicative of a potential GAAP departure. The reason for the “no” answer and the resolution of the matter should be documented in the working papers.

Balance Sheet

A. General

- | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. For classified balance sheets, are assets and liabilities segregated into current and noncurrent classifications, with totals presented for current assets and current liabilities?
[ARB 43, Ch. 3A, pars. 2–8; SFAS 78, pars. 5 and 13 (AC B05.102–.109B); SFAS 6, par. 15 (AC B05.118); FASBI 8, par. 3 (AC B05.117); TB 79-3, par. 2 (AC B05.501–.503)] | _____ | _____ | _____ |
| 2. Are assets not expected to be realized during the current operating cycle classified as noncurrent?
[ARB 43, Ch. 3A, pars. 5 and 6 (AC B05.106 and .107)] | _____ | _____ | _____ |
| 3. Are valuation allowances for assets shown as deductions from their related assets with appropriate disclosure?
[APB 12, par. 3 (AC V18.102)] | _____ | _____ | _____ |

B. Cash

- | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. Is restricted cash appropriately segregated from cash available for current operations?
[ARB 43, Ch. 3A, par. 6 (AC B05.107)] | _____ | _____ | _____ |
| 2. Are restrictions on cash appropriately disclosed?
[SFAS 5, pars. 18 and 19 (AC C59.120)] | _____ | _____ | _____ |
| 3. Is the policy for determining cash equivalents disclosed?
[SFAS 95, par. 10 (AC C25.108)] | _____ | _____ | _____ |
| 4. If the company has material bank overdrafts or material balance of undelivered checks as of the balance sheet date, are: | | | |
| a. Bank overdrafts presented as a separate caption within current liabilities? | _____ | _____ | _____ |
| b. Undelivered checks classified as accounts payable?
[Generally Accepted] | _____ | _____ | _____ |

Yes No N/A

Practice Tip

Be sure that the amount of cash and cash equivalents displayed on the balance sheet equals the amount of cash and cash equivalents displayed on the statement of cash flows.

C. Investment Securities

1. Are there separate captions for each of the following investment categories:

a. Fixed-maturity securities? _____

b. Mortgage loans on real estate? _____

c. Investment real estate? _____

d. Policy loans? _____

e. Other long-term investments?
[AAG, App. B] _____

2. Are the carrying amounts of investment securities on deposit with regulatory authorities disclosed?
[AAG, App. C, par. 1] _____

3. Are debt and equity securities classified as (a) held-to-maturity, (b) available-for-sale, or (c) trading?
[SFAS 115, par. 6 (AC I80.103)] _____

Note: If SFAS 159 has not been adopted, answer Question 4. If it has been adopted, answer Question 4a. For effective date information go to section "AA. Fair Value Measurements" of this Checklist.

4. If an enterprise presents a classified statement of financial position, are all individual held-to-maturity securities, individual available-for-sale securities, and individual trading securities reported as either current or noncurrent, as appropriate, under the provisions of ARB 43, Chapter 3A, "Working Capital—Current Assets and Current Liabilities"?
[SFAS 115, par. 17, as amended by SFAS 135 (AC I80.116)] _____

- 4a. If an enterprise reports its investments in available-for-sale securities and trading securities separately from similar assets that are subsequently measured using another measurement attribute on the face of the statement of financial position, does the entity either (a) present the aggregate of those fair value and non-fair-value amounts in the same line item and parenthetically disclose the amount of fair value included in the aggregate amount or (b) present two separate line items to display the fair value and non-fair-value carrying amounts? If an enterprise presents a classified statement of financial position, are all individual held-to-maturity securities, individual available-for-sale securities, and individual trading securities reported as either current or noncurrent, as appropriate, under the provisions of ARB 43, Chapter 3A, "Working Capital—Current Assets and Current Liabilities"?
[SFAS 115, par. 17, as amended by SFAS 135 and SFAS 159 (AC I80.116)] _____

Yes No N/A

Practice Tip

Presentation of individual amounts for trading securities, held-to-maturity securities, and available-for-sale securities on the face of the balance sheet is not required as long as the information is provided in the notes to the financial statements.

- | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>5. For securities classified as available-for-sale, has the reporting entity made the following disclosures by major-security type as of each date for which a statement of financial position is presented:</p> <p style="margin-left: 20px;">a. Aggregate fair value?</p> <p style="margin-left: 20px;">b. Total gains for securities with net gains in accumulated other comprehensive income?</p> <p style="margin-left: 20px;">c. Total losses for securities with net losses in accumulated other comprehensive income?
[SFAS 115, par. 19 (AC I80.118)]</p> <p>6. For securities classified as held-to-maturity, has the reporting entity made the following disclosures by major-security type as of each date for which a statement of financial position is presented:</p> <p style="margin-left: 20px;">a. Aggregate fair value?</p> <p style="margin-left: 20px;">b. Gross unrecognized holding gains or losses?</p> <p style="margin-left: 20px;">c. Net carrying amount?</p> <p style="margin-left: 20px;">d. Gross gains and losses in accumulated other comprehensive income for any derivatives that hedged the forecasted acquisition of the held-to-maturity securities?
[SFAS 115, par. 19 (AC I80.118)]</p> <p>7. For investments in debt securities classified as available-for-sale or held-to-maturity:</p> <p style="margin-left: 20px;">a. Is disclosure made about their contractual maturities as of the date of the latest balance sheet presented (maturity information may be combined in appropriate groupings)?</p> <p style="margin-left: 20px;">b. If securities not due at a single date (such as mortgage-backed securities) are allocated over several maturity groupings, is the basis for allocation disclosed?
[SFAS 115, par. 20 (AC I80.119)]</p> <p>8. For each period for which an income statement is presented, are the following disclosed:</p> <p style="margin-left: 20px;">a. The proceeds from sales of available-for-sale securities and gross realized gains and losses that have been included in earnings as a result of those sales?</p> <p style="margin-left: 20px;">b. The basis on which the cost of a security sold or the amount reclassified out of accumulated other comprehensive income into earnings was determined (i.e., specified identification, average cost, or other method used)?</p> <p style="margin-left: 20px;">c. The gross gains and losses included in earnings from transfers of securities from the available-for-sale category to the trading category?</p> <p style="margin-left: 20px;">d. The amount of the net unrealized holding gain or loss on available-for-sale securities for the period that has been included in accumulated other comprehensive income and the amount of gains and</p> | <p>_____</p> <p>_____</p> <p>_____</p>
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
losses reclassified out of accumulated other comprehensive income into earnings for the period?	_____	_____	_____
e. The portion of trading gains and losses for the period that relates to trading securities still held at the reporting date? [SFAS 115, par. 21 (AC I80.120)]	_____	_____	_____
9. For any sales of or transfers from securities classified as held-to-maturity, are the following disclosed for each period for which an earnings statement is presented:			
a. Net carrying amount of the sold or transferred security?	_____	_____	_____
b. The net gain or loss in accumulated other comprehensive income for any derivative that hedged the forecasted acquisition of the held-to-maturity security?	_____	_____	_____
c. Related realized or unrealized gain or loss?	_____	_____	_____
d. The circumstances leading to the decision to sell or transfer the security? [SFAS 115, par. 22 (AC I80.121)]	_____	_____	_____

Note: The disclosure requirements in Questions 10–12 below are effective for reporting periods beginning after December 15, 2005. Earlier application is permitted.

10. For all investments in an unrealized loss position, including those that fall within the scope of EITF 99-20, <i>Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets</i> , for which other-than-temporary impairments have not been recognized, does an investor disclose the following in its annual financial statements:			
a. As of each date for which a statement of financial position is presented, quantitative information, aggregated by category of investment—each category of investment that the investor discloses in accordance with SFAS 115 and SFAS 124 (refer to paragraph 4(b) in FSP FAS 115-1 and FAS 124-1) and cost-method investments—in tabular form:			
(1) The aggregate related fair value of investments with unrealized losses?	_____	_____	_____
(2) The aggregate amount of unrealized losses (that is, the amount by which cost exceeds fair value)?	_____	_____	_____

Notes: The disclosures in (1) and (2) above should be segregated by those investments that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or longer.

The reference point for determining how long an investment has been in a continuous unrealized loss position is the balance sheet date of the reporting period in which the impairment is identified. For entities that do not prepare interim financial information, the reference point would be the annual balance sheet date of the period during which the impairment was identified. The continuous unrealized loss position ceases upon either (a) the recognition of an other-than-temporary impairment or (b) the investor becoming aware of a recovery of fair value up to (or beyond) the cost of the investment during the period.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. As of the date of the most recent statement of financial position, additional information (in narrative form) that provides sufficient information to allow financial statement users to understand the quantitative disclosures and the information that the investor considered (both positive and negative) in reaching the conclusion that the impairment(s) are not other than temporary? These disclosures could include:			
(1) The nature of the investment(s)?			
(2) The cause(s) of the impairment(s)?			
(3) The number of investment positions that are in an unrealized loss position?			
(4) The severity and duration of the impairment(s)?			
(5) Other evidence considered by the investor in reaching its conclusion that the investment is not other-than-temporarily impaired, including, for example, industry analyst reports, sector credit ratings, volatility of the security's fair value, and/or any other information that the investor considers relevant?			
[FSP FAS 115-1 and FAS 124-1, par. 17]			
11. Are individually significant unrealized losses generally not aggregated?			
[FSP FAS 115-1 and FAS 124-1, par. 17]			
12. For cost-method investments, does an investor disclose the following additional information, if applicable, as of each date for which a statement of financial position is presented in its annual financial statements:			
a. The aggregate carrying amount of all cost-method investments?			
b. The aggregate carrying amount of cost-method investments that the investor did not evaluate for impairment?			
c. The fact that the fair value of a cost-method investment is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment, and:			
(1) The investor determined, in accordance with paragraphs 14 and 15 of SFAS 107, <i>Disclosures about Fair Value of Financial Instruments</i> , that it is not practicable to estimate the fair value of the investment? or			
(2) The investor is exempt from estimating fair value under SFAS 126, <i>Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities</i> ?			
[FSP FAS 115-1 and FAS 124-1, par. 18]			
<hr/>			
Note: FSP FAS 115-1 and FAS 124-1 includes a tabular example of the quantitative disclosures (see Appendix A of the FSP) as referred to in Question 10a above.			
<hr/>			
13. Are mortgage loans that are purchased at a discount or premium reported at amortized cost with an allowance for uncollectible amounts, if any?			
[SFAS 60, par. 47 (AC In6.153)]			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
14. Are changes in the allowance for uncollectible amounts relating to mortgage loans reported in income as prescribed in SFAS 114, <i>Accounting by Creditors for Impairment of a Loan</i> ? [SFAS 60, par. 47, as amended by SFAS 114, par. 23 (AC In6.153)]	_____	_____	_____
15. Are real estate investments (except those held for sale) reported at cost less accumulated depreciation? [SFAS 60, par. 48, as amended (AC In6.154); AAG, par. 11.93]	_____	_____	_____
16. Are reductions in the carrying amounts of real estate investments resulting from the application of SFAS 144, <i>Accounting for the Impairment or Disposal of Long-Lived Assets</i> , included in realized gains and losses? [SFAS 60, par. 48, as amended (AC In6.154)]	_____	_____	_____
17. For those entities that enter into options with no intrinsic value at acquisition in order to purchase securities accounted for under SFAS 115, is disclosure made of the accounting policy for the premium paid (time value) to acquire the option that is classified as held-to-maturity or available-for-sale disclosed? [EITF 96-11]	_____	_____	_____
18. Are mortgage loans that are acquired at par value reported at outstanding principal balances? [SFAS 60, par. 47 (AC In6.153)]	_____	_____	_____
19. Are adjustments to deferred acquisition costs (DAC) and other assets and liabilities as a result of including unrealized gains or losses as part of shareholders equity in accordance with SFAS 115 disclosed? [AAG, App. C, par. 4]	_____	_____	_____

D. Investments Accounted for by the Equity Method

1. Are investments in common stock shown in the balance sheet of the investor as a single amount, and is the investor's share of earnings or losses of the investee shown in the income statement as a single amount (except for extraordinary items or prior period adjustments)? [APB 18, par. 19 (AC I82.109c)]	_____	_____	_____
2. Are the following disclosures made for investments in common stock accounted for by the equity method:			
a. The name of each investee and their percentage of ownership of common stock?	_____	_____	_____
b. The accounting policies of the investor with respect to investments in common stock?	_____	_____	_____
c. The difference between the amount at which an investment is carried and the amount of underlying equity in net assets?	_____	_____	_____
d. The accounting treatment of the difference described in c?	_____	_____	_____
e. For investments in common stock for which a quoted market price is available, the aggregate value of each identified investment based on the quoted market price? (<i>Note:</i> This is not required for investments in common stock of subsidiaries.)	_____	_____	_____
f. For investments in common stock, corporate joint ventures, or other investments which are in the aggregate material in relation to the financial position or results of operations of an investor, summarized information as to assets, liabilities, and results of operation of the investees as appropriate?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
g. Material effects of conversions of outstanding convertible securities, exercises, or contingent issuances? [APB 18, par. 20 (AC I82.110)]	_____	_____	_____
3. If the reporting entity holds 20 percent or more of the voting stock of a significant investee corporation but does not account for the investment using the equity method, are the following disclosed:			
a. The name of such investee?	_____	_____	_____
b. The reasons why the equity method is not considered appropriate? [APB 18, par. 20, fn. 13 (AC I82.110, fn. 14)]	_____	_____	_____
4. If the reporting entity holds less than 20 percent of the voting stock of a significant investee corporation and accounts for the investment using the equity method, are the following disclosed:			
a. The name of such investee?	_____	_____	_____
b. The reasons why the equity method is considered appropriate? [APB 18, par. 20, fn. 13 (AC I82.110, fn. 14)]	_____	_____	_____
5. Does the life insurance entity disclose any contingent obligations or commitments for additional funding or guarantees of obligations of the investee? [AAG, par. 11.99]	_____	_____	_____
6. Is the selected policy disclosed for determining the amount of equity method losses when previous losses have reduced the common stock investment account to zero? [EITF 99-10]	_____	_____	_____

Practice Tip

The significance of an investment to the investor's financial position and results of operations should be considered in evaluating the extent of disclosures relating to the financial position and results of operations of an investee.

E. Impairment of a Loan

1. Is the allowance deducted from the related assets? [APB 12, par. 3 (AC V18.102)]	_____	_____	_____
2. Is the following information disclosed, either in the body of the financial statements or in the accompanying notes for impaired loans: ¹			
a. As of the date of each balance sheet presented:			
(1) Total recorded investment in the impaired loans at the end of each period and the amount of the recorded investment for which there is a related allowance for loan losses?	_____	_____	_____
(2) The amount of the allowance?	_____	_____	_____
(3) The amount of the recorded investment for which no allowance for loan losses was recorded?	_____	_____	_____
(4) The company's policy for recognizing interest on impaired loans, including how cash receipts are recorded?	_____	_____	_____

¹ In certain circumstances, information about an impaired loan that has been restructured in a troubled debt restructuring involving a modification of terms need not be included in the disclosures in Questions 2a and 2b (1)–(3).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. For each period for which a statement of income is presented:			
(1) Average recorded investments?	_____	_____	_____
(2) Related amount of interest income recognized using the cash basis method of accounting during the time within the period the loans were impaired?	_____	_____	_____
(3) If practicable, the amount of interest income recognized using cash basis method of accounting during the time within the period the loans were impaired?	_____	_____	_____
(4) The activity in the allowance for loan losses related to impaired loans including the following:			
(i) Opening balance?	_____	_____	_____
(ii) Additions charged to operations?	_____	_____	_____
(iii) Direct write-down charged against the allowance?	_____	_____	_____
(iv) Recovery of amounts previously charged off?	_____	_____	_____
(v) Ending balance?	_____	_____	_____
[SFAS 114, par. 20, as amended by SFAS 118, par. 6 (AC I08.118 and .118A)]			
3. When a loan is restructured in a troubled debt restructuring (as defined in SFAS 15) into two (or more) loan agreements, are the restructured loans considered separately when assessing the applicability of the disclosures described in Question 2 above?	_____	_____	_____
[EITF 96-22]			
F. Accounts and Notes Receivable and Agents' Balances			
1. Are premiums due reported as assets?	_____	_____	_____
[AAG, Table 3.1]			
2. Are deferred premiums offset against liabilities for future policy benefits?	_____	_____	_____
[AAG, Table 3.1 and par. 7.19]			
3. Are hypothecation or other pledging of receivables disclosed?	_____	_____	_____
[SFAS 5, pars. 18 and 19 (AC C59.120)]			
4. Are accounts and notes receivable from officers, employees, and affiliated entities shown separately with appropriate disclosures?	_____	_____	_____
[ARB 43, Ch. 1A, par. 5 (AC R36.105)]			
5. If a note is noninterest bearing or has an inappropriate stated interest rate:			
a. Is the discount or premium presented as a deduction from or addition to the face amount of the note?	_____	_____	_____
b. Does the disclosure include the effective interest rate and face amount of the note?	_____	_____	_____
c. Is amortization of discount or premium reported as interest in the income statement?	_____	_____	_____
[APB 21, par. 16 (AC I69.109)]			
6. Is the unamortized balance of loan origination, commitment, and other fees and costs and purchase premiums and discounts that is being recognized as an adjustment of yield reported as part of the loan balance to which it relates?	_____	_____	_____
[SFAS 91, par. 21 (AC I20.120)]			

Yes No N/A

Note: Regarding SOP 01-6, *Accounting by Certain Entities (Including Entities With Trade Receivables) That Lend to or Finance the Activities of Others*, Questions 7–15 below apply to organizations that (1) extend credit to customers (constituents) to encourage them to purchase products and services, (2) make mortgage loans, or (3) make secured or unsecured loans to constituents (for example, tenant loans). This checklist includes only the disclosure requirements for the more common activities within the scope of SOP 01-6. If the organization purchases or sells loans or servicing rights, forecloses on a loan, or engages in other more complex lending activities, the disclosure requirements of SOP 01-6 not included herein also should be considered.

7. Does the accounting policy note include the following:

- a. The basis of accounting for loans, trade receivables, and lease financings, including those classified as held for sale? _____
- b. The method used in determining the lower of cost or fair value of nonmortgage loans held for sale (that is aggregate or individual asset basis)? _____
- c. The method for recognizing interest income on loan and trade receivables, including the entity's policy for treatment of related fees and costs and the method of amortizing net deferred fees or costs? _____
- d. The classification and method of accounting for interest-only strips, loans, other receivables, or retained interests in securitizations that can be contractually prepaid or otherwise settled in a way that the holder would not recover substantially all of its recorded investment? _____
- e. The accounting policies and methodology the entity used to estimate its allowance for loan losses, allowance for doubtful accounts, any liability for off-balance sheet credit losses, and any related charges for loan, trade receivable or other credit losses, including a description of the factors that influenced management's judgment? _____
- f. The policy for placing loans (and trade receivables if applicable) on nonaccrual status (or discontinuing accrual of interest) and recording payments received on nonaccrual loans (and trade receivables if applicable), and the policy for resuming accrual of interest? _____
- g. The policy for charging off uncollectible loans and receivables? _____
- h. The policy for determining past due or delinquency status (that is, whether that status is based on most recent payment or on contractual terms)?
[SOP 01-6, par. 13a–c] _____

8. The aggregate amount of gains or losses on sales of loans or trade receivables (including adjustments to record loans held for sale at the lower of cost or fair value) presented separately in the financial statement or disclosed in the notes?
[SOP 01-6, par. 13d] _____

9. Loans or trade receivables may be presented on the balance sheet as aggregated amounts. However, _____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Loans or trade receivables held for sale should be presented on the balance sheet in a separate balance-sheet category.	_____	_____	_____
b. Major categories of loans or trade receivables should be presented separately either in the balance sheet or in the notes.	_____	_____	_____
c. The allowance for credit losses, the allowance for doubtful accounts, and, as applicable, any unearned income, any unamortized premiums and discounts, and any net unamortized deferred fees and costs, should be disclosed in the financial statements. [SOP 01-6, par. 13e]	_____	_____	_____
10. Are foreclosed and repossessed assets classified as a separate balance sheet amount or included in other assets on the balance sheet with separate disclosures in the notes? [SOP 01-6, par. 13f]	_____	_____	_____
11. Are certain returned or repossessed assets, such as inventory, subsequently to be utilized by the entity in operations, not classified separately? [SOP 01-6, par. 13f]	_____	_____	_____
12. Is the recorded investment in loans (and trade receivables if applicable) on nonaccrual status as of each balance sheet date disclosed in the notes to the financial statements? [SOP 01-6, par. 13g]	_____	_____	_____
13. Is the recorded investment in loans (and trade receivables if applicable) past due ninety days or more and still accruing interest disclosed? [SOP 01-6, par. 13g]	_____	_____	_____
14. Is the carrying amount of securities deposited disclosed if insurance subsidiaries are required to deposit securities with state regulatory authorities? [SOP 01-6, par. 13h]	_____	_____	_____
15. Is the carrying amount of loans, trade receivables, securities and financial instruments that serve as collateral for borrowings disclosed pursuant to paragraphs 18 and 19 of SFAS 5, <i>Accounting for Contingencies</i> ? [SOP 01-6, par. 13i]	_____	_____	_____
<hr/> Note: SOP 03-3, <i>Accounting for Certain Loans or Debt Securities Acquired in a Transfer</i> , addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor's initial investment in loans or debt securities (loans) acquired in a transfer if those differences are attributable, at least in part, to credit quality. <hr/>			
16. Do the notes to financial statements describe how prepayments are considered in the determination of contractual cash flows and cash flows expected to be collected? [SOP 03-3, par. 14]	_____	_____	_____
17. Is information about loans meeting the scope criteria of paragraph 3 of SOP 03-3 included in the disclosures required by paragraphs 20(a) and 20(b) of SFAS 114, if the condition in paragraph 16 of SFAS 115 or paragraph 8(a) of SFAS 5 (as discussed in paragraphs 7(a) and 8(a) of SOP 03-3) is met? [SOP 03-3, par. 15]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
18. In addition to disclosures required by other generally accepted accounting principles, for each balance sheet presented, does an investor disclose the following information about loans within the scope of SOP 03-3:			
a. Separately for both those loans that are accounted for as debt securities and those loans that are not accounted for as debt securities:			
(1) The outstanding balance and related carrying amount at the beginning and end of the period?	_____	_____	_____
(2) The amount of accretable yield at the beginning and end of the period, reconciled for additions, accretion, disposals of loans, and reclassifications to or from nonaccretable difference during the period?	_____	_____	_____
(3) For loans acquired during the period, the contractually required payments receivable, cash flows expected to be collected, and fair value at the acquisition date?	_____	_____	_____
(4) For those loans within the scope of SOP 03-3 for which the income recognition model in SOP 03-3 is not applied in accordance with paragraph 6, the carrying amount at the acquisition date for loans acquired during the period and the carrying amount of all loans at the end of the period?	_____	_____	_____
b. Further, for those loans that are not accounted for as debt securities, does an investor disclose:			
(1) The amount of (a) any expense recognized pursuant to paragraph 8(a) of SOP 03-3 and (b) any reductions of the allowance recognized pursuant to paragraph 8(b)(1) of SOP 03-3 for each period for which an income statement is presented?	_____	_____	_____
(2) The amount of the allowance for uncollectible accounts at the beginning and end of the period? [SOP 03-3, par. 16]	_____	_____	_____

G. Reinsurance Receivables

1. Are fronting arrangements treated as reinsurance arrangements for purposes of disclosures required by SFAS 60 and SFAS 113? [SFAS 113, par. 6 (AC In6.169)]	_____	_____	_____
2. Are the following disclosed in relation to ceded insurance transactions:			
a. Nature of the transaction(s)?	_____	_____	_____
b. Purpose of the transaction(s)?	_____	_____	_____
c. Effect of the transaction(s)?	_____	_____	_____
d. The fact that the insurer is not relieved of its primary obligation to the policyholder in a reinsurance transaction? [SFAS 113, par. 27a (AC In6.191a)]	_____	_____	_____
3. Are the following disclosed for short-duration reinsurance contracts on both a written and an earned basis:			
a. Premiums from direct business?	_____	_____	_____
b. Reinsurance assumed?	_____	_____	_____
c. Reinsurance ceded? [SFAS 113, par. 27b (AC In6.191b)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Are the following disclosed for long-duration reinsurance contracts:			
a. Premiums and amounts assessed against policyholders from direct business?	_____	_____	_____
b. Reinsurance assumed?	_____	_____	_____
c. Reinsurance ceded?	_____	_____	_____
d. Premiums and amounts earned? [SFAS 113, par. 27b (AC In6.191b)]	_____	_____	_____
5. Are the methods used for income recognition on reinsurance contracts disclosed? [SFAS 113, par. 27c (AC In6.191c)]	_____	_____	_____
6. Are concentrations of credit risk associated with reinsurance receivables and prepaid reinsurance premiums disclosed for a ceding enterprise under the provisions of paragraph 15A of SFAS 107, <i>Disclosures about Fair Value of Financial Instruments</i> , as amended by SFAS 133, <i>Accounting for Derivative Instruments and Hedging Activities</i> ? [SFAS 113, par. 28 (AC In6.192); SFAS 133, par. 533]	_____	_____	_____
7. Are the following items reported separately as assets for those companies participating in ceding transactions:			
a. Estimated reinsurance receivables arising from ceding transactions?	_____	_____	_____
b. Amounts paid to the reinsurer relating to the unexpired portion of reinsured contracts (prepaid reinsurance premiums)? [SFAS 113, par. 14 (AC In6.178)]	_____	_____	_____
8. Are amounts receivable and payable between the ceding company and an individual reinsurer offset only when a right of offset exists as defined in FASBI 39? [SFAS 113, par. 15 (AC In6.179)]	_____	_____	_____
9. Are the amounts of earned premiums ceded and recoveries recognized under reinsurance contracts reported in the statements of earnings as separate line items or disclosed in the notes? [SFAS 113, par. 16 (AC In6.180); AAG, par. 12.30]	_____	_____	_____

H. Lease Finance Receivables

1. Do disclosures include:			
a. Appropriate components of the net investment in the leases as of the date of each balance sheet presented?	_____	_____	_____
b. Future minimum lease payments to be received for each of the five succeeding fiscal years as of the date of the latest balance sheet presented?	_____	_____	_____
c. Total contingent rentals included in income for each period for which a statement of income is presented? [SFAS 13, par. 23a, as amended by SFAS 91, par. 25d (AC L10.119a)]	_____	_____	_____
2. Are leasing arrangements described? [SFAS 13, pars. 23 and 29 (AC L10.119 and .125); SFAS 91, par. 25 (AC L10.119a(1)–(3)); SFAS 98, pars. 17–19 (AC L10.130k–m)]	_____	_____	_____
3. Are leveraged leases appropriately accounted for and reported? [SFAS 13, pars. 41–47, as amended by FSP FAS 13-2 (AC L10.143–.149)]	_____	_____	_____

Yes No N/A

Note: In July 2006 the Financial Accounting Standards Board issued FSP FAS 13-2, *Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction*. The guidance in the FSP shall be applied to fiscal years beginning after December 15, 2006. Earlier application is permitted as of the beginning of an entity's fiscal year, provided that the entity has not yet issued financial statements, including financial statements for any interim period, for that fiscal year. Only tax positions that meet the more-likely-than-not recognition threshold at the date of adoption of the FSP shall be reflected in the financial statements. In addition, all recognized tax positions in a leveraged lease must be measured in accordance with FASBI 48 at the date of adoption of the FSP. If, at the date of adoption, the application of FASBI 48 causes a change in the recognition or measurement of the tax position, that change shall be considered a change of an important assumption as of the date of adoption of the FSP. The cumulative effect of applying the provisions of the FSP shall be reported as an adjustment to the beginning balance of retained earnings as of the beginning of the period in which this FSP is adopted. The disclosure requirements of the FSP shall be applied as of the most recent statement of financial position or income statement presented.

4. Is the following disclosed by the lessor in the fiscal year of adoption:
- The nature of the change in accounting principle? _____
 - The cumulative effect of the change on retained earnings in the statement of financial position as of the date of adoption? _____
[FSP FAS 13-2, par. 14]

Note: Financial statements of subsequent periods from the date of adoption need not repeat these disclosures.

I. Deferred Acquisition Costs

- Are unamortized acquisition costs classified in the balance sheet as assets?
[AAG, par. 10.25] _____
- Are the following disclosed relating to deferred acquisition costs:
 - The nature of costs capitalized? _____
 - The method of amortizing these costs? _____
 - The amount of these costs amortized for the period?
[AAG, App. C, par. 7; SFAS 60, par. 60c (AC In6.166c)] _____
 - The accounting policy applied to internal replacements, including whether or not the company has availed itself of the alternative application guidance in paragraphs 18 and 19 of SOP 05-1, and if so, for which kinds of internal replacement transactions?
[SOP 05-1, par. 28] _____
- Is the fact that the company considers anticipated investment income in determining if a premium deficiency relating to short-duration contracts exists disclosed?
[SFAS 60, par. 60e (AC In6.166e)] _____
- If a public company acquires a life insurance entity accounted for as a purchase and the acquirer recognizes an asset for the present value of future profits (PVP), is the following disclosed:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. A description of the company's accounting policy?	_____	_____	_____
b. An analysis of the PVP asset account for each year for which an income statement is presented, including the PVP balance at the beginning of the year, the amount of PVP additions during the year arising from acquisitions of insurance entities, the amount of interest accrued on the unamortized PVP balance during the year, the interest accrual rate, the amount of amortization during the year, the amount of any write-offs during the year attributable to impairment and how those write-offs were determined, and the PVP balance at the end of the year?	_____	_____	_____
c. The estimated amount or percentage of the end of the year PVP balance to be amortized during each of the next five years? [AAG, App. C, par. 8]	_____	_____	_____

J. Property and Equipment

1. Is the carrying basis of property and equipment disclosed? [AAG, App. B; APB 12, par. 5 (AC D40.105)]	_____	_____	_____
2. For depreciable assets, does disclosure include:			
a. Depreciation expense for each period for which an income statement is presented?	_____	_____	_____
b. Balances of major classes of depreciable assets, by nature or function, at the balance sheet date?	_____	_____	_____
c. Accumulated depreciation, either by major classes of depreciable assets or in total, at the balance sheet date?	_____	_____	_____
d. A general description of the method or methods used in computing depreciation for major classes of depreciable assets? [APB 12, par. 5 (AC D40.105)]	_____	_____	_____
3. Are pledged assets and material commitments for property expenditures disclosed? [SFAS 5, pars. 18 and 19 (AC C59.120)]	_____	_____	_____
4. For any accounting period in which interest costs are capitalized, is the total amount of interest cost incurred during the period, and the amount thereof that is capitalized, disclosed? [SFAS 34, par. 21b (AC I67.118)]	_____	_____	_____
5. Is the amount of interest cost incurred and charged to expense during the period disclosed for an accounting period in which no interest cost is capitalized? [SFAS 34, par. 21a (AC I67.118)]	_____	_____	_____

Note: Subsequent to the adoption of SFAS 143, the following consensus does not apply to obligations for asbestos removal that are within the scope of SFAS 143.

6. For an existing property with an asbestos problem, are the costs incurred to treat the problem, if charged to expense, not classified as an extraordinary item? [EITF 89-13]	_____	_____	_____
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K. Lessee Leases

1. Is the following information disclosed with respect to capital leases:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The gross amount of assets recorded under capital leases as of the date of each balance sheet presented by major classes according to nature or function (this information may be combined with the comparable information for owned assets)?	_____	_____	_____
b. Future minimum lease payments as of the date of the latest balance sheet presented, in the aggregate and for each of the next five fiscal years, with separate deductions from the total for executory costs, including any profit thereon that is included in the minimum lease payments and for the amount of the imputed interest necessary to reduce the net minimum lease payments to present value?	_____	_____	_____
c. The total of minimum sublease rentals to be received in the future under noncancelable subleases as of the date of the latest balance sheet presented?	_____	_____	_____
d. Total contingent rentals actually incurred for each period for which an income statement is presented? [SFAS 13, par. 16 (AC L10.112)]	_____	_____	_____
e. Separate identification of:			
(1) Assets recorded under capital leases?	_____	_____	_____
(2) Accumulated amortization of capital leases?	_____	_____	_____
(3) Obligations under capital leases?	_____	_____	_____
(4) Amount of amortization of capital lease assets or the fact that the amortization of capital lease assets is included in depreciation expense? [SFAS 13, par. 13 (AC L10.112)]	_____	_____	_____
2. Are the following disclosed for operating leases that have initial or remaining noncancelable lease terms in excess of one year:			
a. Future minimum rental payments required, as of the date of the latest balance sheet presented, in the aggregate, and for each of the five succeeding fiscal years?	_____	_____	_____
b. The total of minimum rentals to be received in the future under noncancelable subleases as of the date of the latest balance sheet presented? [SFAS 13, par. 16 (AC L10.112)]	_____	_____	_____
3. For all operating leases, do disclosures include rental expense for each period for which an income statement is presented, with separate amounts for minimum rentals, contingent rentals, and sublease rentals (rental payments under leases with terms of a month or less that are not renewed need not be included)? [SFAS 13, par. 16c (AC L10.112c)]	_____	_____	_____
4. Do disclosures include a general description of the lessee's leasing arrangements including, but not limited to, the following:			
a. The basis on which contingent rental payments are determined?	_____	_____	_____
b. The existence and terms of renewal or purchase options and escalation clauses?	_____	_____	_____
c. Restrictions imposed by lease agreements, such as those concerning dividends, additional debt, and further leasing? [SFAS 13, par. 16 (AC L10.112)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. Is the nature and extent of leasing transactions with related parties disclosed? [SFAS 13, par. 29 (AC L10.125)]	_____	_____	_____
6. If there is a modification of lease terms and the increase in lease payments is a termination penalty, is the accounting policy disclosed in accordance with APB 22? [EITF 95-17; APB 22, pars. 12–14 (AC L10.108 and .109)]	_____	_____	_____
7. Do the financial statements of a seller-lessee include a description of the terms of the sale-leaseback transaction including future commitments, obligations, provisions, or circumstances that require or result in the seller-lessee's continuing involvement? [SFAS 98, par. 17 (AC L10.130K)]	_____	_____	_____
8. If a sale-leaseback transaction is accounted for using the deposit method or as a financing arrangement, are the following disclosures made:			
a. The obligation for future minimum lease payments as of the date of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years?	_____	_____	_____
b. The total of minimum sublease rentals, if any, to be received in the future under noncancelable subleases in the aggregate and for each of the five succeeding fiscal years? [SFAS 98, par. 18 (AC L10.130L)]	_____	_____	_____

Note: The guidance in FSP FAS 13-1, *Accounting for Rental Costs Incurred during a Construction Period*, should be applied to the first reporting period beginning after December 15, 2005. Early adoption is permitted for financial statements or interim financial statements that have not yet been issued. A lessee should cease capitalizing rental costs as of the effective date of this FSP for operating lease arrangements entered into prior to the effective date of this FSP. Retrospective application in accordance with SFAS 154, *Accounting Changes and Error Corrections*, is permitted but not required.

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| 9. When rental costs incurred during and after a construction period are for the right to control the use of a leased asset during and after construction of a lessee asset, are the rental costs included in income from continuing operations?
[FSP FAS 13-1, par. 6] | _____ | _____ | _____ |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|

Note: On June 29, 2005, the FASB ratified EITF Issue No. 05-6, *Determining the Amortization Period for Leasehold Improvements Purchased after Lease Inception or Acquired in a Business Combination*. As neither SFAS 13, *Accounting for Leases*, nor FASBI 21, *Accounting for Leases in a Business Combination— an interpretation of FASB Statement No. 13*, addressed leasehold improvements under an ongoing operating lease or in a business combination, this EITF Issue addresses the determination of the amortization period for leasehold improvements in operating leases that are either (1) purchased subsequent to the inception of the lease or (2) acquired in a business combination. The EITF is effective for periods beginning after June 30, 2005. Early application of the consensus is permitted in periods for which financial statements have not been issued.

L. Other Assets

Note: If SFAS 142, *Goodwill and Other Intangible Assets*, has not been adopted, the following questions do apply. See section M for the disclosures required after the effective date of SFAS 142. SFAS 142 is required to be applied at the beginning of an entity's fiscal year and to be applied to all goodwill and other intangible assets recognized in its financial statements at that date.

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|------------|
| 1. Do disclosures include the method and period of amortization of intangible assets?
[APB 22, par. 13 (AC A10.106)] | _____ | _____ | _____ |
| 2. For an unidentified intangible asset arising as a result of the fair value of liabilities assumed in a purchase method business combination exceeding fair value of tangible and identified intangible assets acquired in a combination initiated after September 30, 1982, is the method and period of amortization disclosed?
[APB 17, par. 30 (AC App. E, I60.111)] | _____ | _____ | _____ |

M. Intangible Assets and Goodwill (Only applicable if the provisions of SFAS 142 are being applied to the financial statements)

Note: SFAS 142 is not applicable to goodwill and other intangible assets arising from combinations between **mutual enterprises** until the Financial Accounting Standards Board completes its deliberation with respect to application of the purchase method by those entities. Goodwill and intangible assets acquired in a combination between two or more mutual enterprises for which the acquisition date is after June 30, 2001, shall continue to be accounted for in accordance with APB 17.

- | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. At a minimum, are all intangible assets aggregated and presented as a separate line item in the statement of financial position? (This requirement does not preclude presentation of individual intangible assets or classes of intangible assets as separate line items.)
[SFAS 142, par. 42 (AC G40.141)] | _____ | _____ | _____ |
| 2. Are amortization expense and impairment losses for intangible assets presented in income statement line items within continuing operations as deemed appropriate for each entity?
[SFAS 142, par. 42 (AC G40.141)] | _____ | _____ | _____ |
| 3. Is the aggregate amount of goodwill presented as a separate line item in the statement of financial position?
[SFAS 142, par. 43 (AC G40.142)] | _____ | _____ | _____ |
| 4. Is the aggregate amount of goodwill impairment losses presented as a separate line item in the income statement before the subtotal <i>income from continuing operations</i> (or similar caption) unless a goodwill impairment loss is associated with a discontinued operation?
[SFAS 142, par. 43 (AC G40.142)] | _____ | _____ | _____ |
| 5. Is a goodwill impairment loss associated with a discontinued operation included (on a net-of-tax basis) within the results of discontinued operations?
[SFAS 142, par. 43 (AC G40.142)] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. For intangible assets acquired either individually or with a group of assets, is the following information disclosed in the notes to the financial statements in the period of acquisition:			
a. For intangible assets subject to amortization:			
(1) The total amount assigned and the amount assigned to any major intangible asset class?	_____	_____	_____
(2) The amount of any significant residual value, in total and by major intangible asset class?	_____	_____	_____
(3) The weighted-average amortization period, in total and by major intangible asset class?	_____	_____	_____
b. For intangible assets not subject to amortization, the total amount assigned and the amount assigned to any major intangible asset class?	_____	_____	_____
c. The amount of research and development assets acquired and written off in the period and the line item in the income statement in which the amounts written off are aggregated? [SFAS 142, par. 44 (AC G40.143)]	_____	_____	_____
7. Has the following information been disclosed in the financial statements or the notes to the financial statements for each period for which a statement of financial position is presented:			
a. For intangible assets subject to amortization:			
(1) The gross carrying amount and accumulated amortization, in total and by major intangible asset class?	_____	_____	_____
(2) The aggregate amortization expense for the period?	_____	_____	_____
(3) The estimated aggregate amortization expense for each of the five succeeding fiscal years?	_____	_____	_____
b. For intangible assets not subject to amortization, the total carrying amount and the carrying amount for each major intangible asset class?	_____	_____	_____
c. The changes in the carrying amount of goodwill during the period including:			
(1) The aggregate amount of goodwill acquired?	_____	_____	_____
(2) The aggregate amount of impairment losses recognized?	_____	_____	_____
(3) The amount of goodwill included in the gain or loss on disposal of all or a portion of a reporting unit?	_____	_____	_____
8. If the entity reports segment information in accordance with SFAS 131, is the above information about goodwill provided in total and for each reportable segment and are any significant changes in the allocation of goodwill by reportable segment disclosed? [SFAS 142, par. 45 (AC G40.144)]	_____	_____	_____
9. If any portion of goodwill has not yet been allocated to a reporting unit at the date the financial statements are issued, is that unallocated amount and the reasons for not allocating that amount disclosed? [SFAS 142, par. 45 (AC G40.144)]	_____	_____	_____
10. For each impairment loss recognized related to an intangible asset, is the following information disclosed in the notes to the financial statements that include the period in which the impairment loss is recognized:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. A description of the impaired intangible asset and the facts and circumstances leading to the impairment?	_____	_____	_____
b. The amount of the impairment loss and the method for determining fair value?	_____	_____	_____
c. The caption in the income statement in which the impairment loss is aggregated?	_____	_____	_____
d. If applicable, the segment in which the impaired intangible asset is reported under SFAS 131? [SFAS 142, par. 46 (AC G40.145)]	_____	_____	_____
11. For each goodwill impairment loss recognized, is the following information disclosed in the notes to the financial statement that include the period in which the impairment loss is recognized:			
a. A description of the facts and circumstances leading to the impairment?	_____	_____	_____
b. The amount of the impairment loss and the method of determining the fair value of the associated reporting unit (whether based on quoted market prices, prices of comparable businesses, a present value or other valuation technique, or a combination thereof)?	_____	_____	_____
c. If a recognized impairment loss is an estimate that has not yet been finalized (refer to SFAS 142, paragraph 22), that fact and the reasons therefor and, in subsequent periods, the nature and amount of any significant adjustments made to the initial estimate of the impairment loss? [SFAS 142, par. 47 (AC G40.146-.148)]	_____	_____	_____

N. Separate Account Assets

1. Are separate account assets reported as summary totals in the financial statements? [SFAS 60, par. 54 (AC In6.160)]	_____	_____	_____
2. Has the insurance company disclosed the following information regarding separate accounts:			
a. The general nature of the contracts reporting in separate accounts, including the extent and terms of minimum guarantees?	_____	_____	_____
b. The basis of presentation for separate account assets and liabilities and related separate account activity?	_____	_____	_____
c. The aggregate fair value of assets, by major investment asset category, supporting separate accounts with additional insurance benefits and minimum investment return guarantees as of each date for which a statement of financial position is presented?	_____	_____	_____
d. The amount of gains and losses recognized on assets transferred to separate accounts for the periods presented? [SOP 03-3, par. 38; AAG, App. C, par. 5]	_____	_____	_____

O. Deposit Accounting

1. Has a description of the contracts accounted for as deposits and the separate amounts of total deposit assets and total deposit liabilities reported in the statement of financial position been disclosed? [SOP 98-7, par. 18; AAG, App. C, par. 25]	_____	_____	_____
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------	-------	-------

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Has the following information regarding the changes in the recorded amount of the deposit arising from an insurance or reinsurance contract that transfers only significant underwriting risk been disclosed:			
a. The present values of initial expected recoveries that will be reimbursed under the insurance or reinsurance contracts that have been recorded as an adjustment to incurred losses?	_____	_____	_____
b. Any adjustment of amounts initially recognized for expected recoveries? (The individual components of the adjustment [meaning interest accrual, the present value of additional expected recoveries, and the present value of reductions in expected recoveries] should be disclosed separately.)	_____	_____	_____
c. The amortization expense attributable to the expiration of coverage provided under the contract? [SOP 98-7, par. 19; AAG, App. C, par. 25]	_____	_____	_____

P. Policy Liabilities

1. Is the basis for estimating the liabilities for unpaid claims and claim adjustment expenses disclosed? [SFAS 60, par. 60a (AC In6.166a); AAG, App. C, par. 10a]	_____	_____	_____
2. Are the methods and assumptions used in estimating the liability for future policy benefits and the average rate of assumed investment yields in effect for the current year disclosed? [SFAS 60, par. 60b (AC In6.166b); AAG, App. C, par. 13]	_____	_____	_____
3. Is the carrying amount of liabilities for unpaid claims and claim adjustment expenses relating to short-duration contracts that are presented at present value in the financial statements and the range of interest rates used to discount those liabilities disclosed? [SFAS 60, par. 60d (AC In6.166d); AAG, App. C, par. 10b]	_____	_____	_____
4. For each fiscal year for which an income statement is presented, is the following information about the liability for unpaid claims and claim adjustment expenses disclosed:			
a. The balance in the liability for unpaid claims and claim adjustment expenses at the beginning and end of the period presented with, if net balances are presented, separate disclosure of the related amount of reinsurance recoverable?	_____	_____	_____
b. Incurred claims and claim adjustment expenses with separate disclosure of the provision of insured events of the current period and for increases or decreases in the provision for insured events of prior fiscal years?	_____	_____	_____
c. Payments of claims and claim adjustment expenses with separate disclosure of payments of claims and claim adjustment expenses attributable to insured events of the current fiscal year and to insured events of the prior period? [SOP 94-5, par. 10; AAG, App. C, par. 11]	_____	_____	_____
5. If changes in incurred claims and claim adjustment expenses recognized in the income statement are attributable to insured events of prior periods, are the following disclosed in the financial statements:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The reasons for the change?	_____	_____	_____
b. Whether additional premiums or return premiums have been accrued as a result of the prior-period effects? [SOP 94-5, par. 10, as amended by SOP 01-5; AAG, App. C, par. 12]	_____	_____	_____
6. Is the fact that the company considers anticipated investment income in determining if a premium deficiency relating to short-duration contracts exists disclosed? [SFAS 60, par. 60e (AC In6.166e); AAG, App. C, par. 10c]	_____	_____	_____
7. For participating insurance, does disclosure include:			
a. The relative percentage?	_____	_____	_____
b. The method of accounting for policyholders' dividends?	_____	_____	_____
c. The amount of dividends?	_____	_____	_____
d. The amount of any additional income allocated to participating policyholders? [SFAS 60, par. 60g (AC In6.166g); AAG, App. C, par. 19]	_____	_____	_____
<hr/>			
Note: SOP 95-1, <i>Accounting for Certain Insurance Activities of Mutual Life Insurance Enterprises</i> , applies to life insurance contracts that have both of the following characteristics: ²			
<ul style="list-style-type: none"> • They are long-duration participating contracts that are expected to pay dividends to policyholders based on actual experience of the insurance enterprise. • Annual policyholder dividends are paid in a manner that identifies divisible surplus and distributes that surplus in approximately the same proportion as the contracts are considered to have contributed to divisible surplus (commonly referred to in actuarial literature as the <i>contribution principle</i>). 			
<hr/>			
8. Are premiums from participating insurance contracts reported as revenue in the statement of income when due from policyholders? [SOP 95-1, par. 12]	_____	_____	_____
9. Are death and surrender benefits incurred reported as expense in the statement of income? [SOP 95-1, par. 13]	_____	_____	_____
10. Are annual policyholder dividends reported separately as an expense in the statement of income? [SOP 95-1, par. 14]	_____	_____	_____
11. Are the following disclosed in the financial statements with respect to participating contracts:			
a. The methods and assumptions used in estimating the liability for future policy benefits?	_____	_____	_____
b. The average rate of assumed investment yields used in estimating expected gross margins?	_____	_____	_____

² SFAS 120, *Accounting and Reporting by Mutual Life Insurance Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts*, permits stock life insurance enterprises with participating life insurance contracts that meet the conditions listed above to account for those contracts in accordance with SOP 95-1. [SFAS 120, par. 6]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. The nature of acquisition costs capitalized, the method of amortizing those costs, and the amount of those costs amortized for the period? [SOP 95-1, par. 24; AAG, App. C, par. 20]	_____	_____	_____
12. Has the entity disclosed a description of the liability valuation methods and assumptions used in estimating the liabilities for additional insurance benefits and minimum guarantees? [SOP 03-1, par. 38; AAG, App. C, par. 13]	_____	_____	_____
13. Have the following been disclosed in relation to minimum guarantees:			
a. The separate account liability balances subject to various types of benefits (for example, guaranteed minimum death benefit, guaranteed minimum income benefit, guaranteed minimum accumulation benefit)? Disclosures within these categories of benefits for the types of guarantees provided may also be appropriate (for example, return of net deposits, return of net deposits accrued at a stated rate, return of highest anniversary value).	_____	_____	_____
b. The amount of liability reported for additional insurance benefits, annuitization benefits and other minimum guarantees, by type of benefit, for the most recent balance sheet date and the incurred and paid amounts for all periods presented?	_____	_____	_____
c. For contracts for which an additional liability is disclosed in paragraph <i>b</i> above, net amount at risk and weighted average attained age of contract holders? [SOP 03-1, par. 38; AAG, App. C, par. 13]	_____	_____	_____

Q. Income Taxes

1. Are deferred tax assets and liabilities determined for each tax-paying component (an individual company or group of companies that is consolidated for tax purposes) in each tax jurisdiction presented separately? [SFAS 109, par. 17 (AC I27.116)]	_____	_____	_____
2. Are the components of the net deferred tax liability or asset recognized in the balance sheet disclosed as follows:			
a. The total of all deferred tax liabilities?	_____	_____	_____
b. The total of all deferred tax assets?	_____	_____	_____
c. The total valuation allowance for deferred tax assets? [SFAS 109, par. 43 (AC I27.142)]	_____	_____	_____
3. Is the net change during the year in the total valuation allowance disclosed? [SFAS 109, par. 43 (AC I27.142)]	_____	_____	_____
4. Is the following information disclosed whenever a deferred tax liability is not recognized because of the exceptions to comprehensive recognition of deferred taxes for any of the areas addressed by APB 23, <i>Accounting for Income Taxes—Special Areas</i> (as amended by SFAS 109, <i>Accounting for Income Taxes</i>):			
a. A description of the types of temporary differences for which a deferred tax liability is not recognized and the types of events that would cause those temporary differences to become taxable?	_____	_____	_____
b. The cumulative amount of each type of temporary differences?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. The amount of the unrecognized deferred tax liability for temporary differences related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration if determination of that liability is practicable, or a statement that determination is not practicable?	_____	_____	_____
d. The amount of the deferred tax liability for temporary differences other than those in c. above (i.e., undistributed domestic earnings, the bad debt reserve for tax purposes of a U.S. savings and loan association or other qualified thrift lender, the policyholders' surplus of a life insurance enterprise, and the statutory reserve funds of a U.S. steamship enterprise) that is not recognized in accordance with the provisions of paragraphs 31 and 32 of SFAS 109 (AC I27.130 and .131)? [SFAS 109, par. 44 (AC I27.143)]	_____	_____	_____
5. In a classified balance sheet:			
a. Are deferred tax assets and deferred tax liabilities classified as current or noncurrent based on the classification of the related asset or liability for financial reporting? [SFAS 109, par. 41 (AC I27.140)]	_____	_____	_____
b. Are deferred tax assets or liabilities not related to an asset or liability for financial reporting (including those related to carry-forwards) classified according to the expected reversal date of the temporary difference? [SFAS 109, pars. 41 and 288p (AC I27.140)]	_____	_____	_____
c. Is the valuation allowance for a particular tax jurisdiction allocated between current and noncurrent deferred tax assets for that tax jurisdiction on a pro rata basis? [SFAS 109, par. 41 (AC I27.140)]	_____	_____	_____
d. Are the following items offset and presented as a single amount for a particular taxpaying component and within a particular taxpaying jurisdiction:			
(1) All current deferred tax liabilities and assets?	_____	_____	_____
(2) All noncurrent deferred tax liabilities and assets? [SFAS 109, par. 42 (AC I27.141)]	_____	_____	_____
6. Do the financial statements include disclosure of the following:			
a. Disclosures relating to "Policyholders' Surplus" as defined in the Internal Revenue Code and as prescribed by APB 23?	_____	_____	_____
b. The portion of retained earnings in excess of statutory unassigned surplus upon which no income tax provisions have been made and the reasons therefor? [AAG, App. C, par. 14]	_____	_____	_____
7. If the reporting entity is a public enterprise :			
a. Is the approximate tax-effect of each type of temporary difference and carryforward that gives rise to a significant portion of deferred tax liabilities and deferred tax assets (before valuation allowances) disclosed?	_____	_____	_____
b. If the reporting entity is not subject to income taxes because its income is taxed directly to its owners, is that fact and the net differences between the tax bases and reported amounts of the enterprises' assets and liabilities disclosed? [SFAS 109, par. 43 (AC I27.142)]	_____	_____	_____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|------------|
| 8. If the reporting entity is a nonpublic enterprise , are the types of temporary differences and carryforwards that give rise to a significant portion of deferred tax liabilities and deferred tax assets (before valuation allowances) disclosed?
[SFAS 109, par. 43 (AC I27.142)] | _____ | _____ | _____ |

R. Current Liabilities, Notes Payable, and Long-Term Debt

- | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. For classified balance sheets, do current liabilities include: | | | |
| a. Obligations for items that entered the operating cycle? | _____ | _____ | _____ |
| b. Collections received in advance of the performance of services? | _____ | _____ | _____ |
| c. Debts that arise from operations directly related to the operating cycle? | _____ | _____ | _____ |
| d. Other liabilities whose regular and ordinary liquidation is likely to occur within a relatively short time period? | _____ | _____ | _____ |
| e. Obligations that, by their terms, are due on demand or will be due within one year (or operating cycle, if longer) from the balance sheet date, even though liquidation may not be expected within that period?
[ARB 43, Ch. 3A, pars. 7 and 8 (AC B05.108 and .109); SFAS 78, par. 5 (AC B05.109a)] | _____ | _____ | _____ |
| 2. Do current liabilities exclude short-term obligations that the provider intends to refinance on a long-term basis, provided the provider has demonstrated the ability to consummate the long-term financing?
[SFAS 6, pars. 8–14 (AC B05.113–.116); FASBI 8, pars. 2–4 (AC B05.117, .138 and .139)] | _____ | _____ | _____ |
| 3. Is there adequate disclosure of interest rates, maturities, and other terms and conditions provided in loan agreements and bond indentures (such as assets pledged as collateral, and covenants to reduce debt and maintain working capital)?
[FASCON 5, par. 11; SFAS 5, par. 18 (AC C59.120)] | _____ | _____ | _____ |
| 4. Are the following disclosed for each of the five years following the date of the latest balance sheet presented: | | | |
| a. The aggregate amount of payments for unconditional purchase obligations that meet the criteria of SFAS 47, <i>Disclosure of Long-Term Obligations</i> , and that are recognized on the purchaser's balance sheet? | _____ | _____ | _____ |
| b. The combined aggregate amount of maturities and sinking fund requirements for all long-term borrowings? | _____ | _____ | _____ |
| c. The amount of redemption requirements for all issues of capital stock that are redeemable at fixed or determinable prices on fixed or determinable dates, separately by issue or combined?
[SFAS 47, par. 10 (AC C32.105)] | _____ | _____ | _____ |
| 5. Are conversion features appropriately accounted for and disclosed?
[APB 14, par. 12 (AC D10.103)] | _____ | _____ | _____ |
| 6. If a note is noninterest bearing or has an inappropriate stated interest rate: | | | |
| a. Is the discount or premium presented as a deduction from or addition to the face amount of the note? | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Does the disclosure include the effective interest rate and face amount of the note?	_____	_____	_____
c. Is amortization of the discount or premium reported as interest expense?	_____	_____	_____
d. Are issue costs reported in the balance sheet as deferred charges? [APB 21, par. 16 (AC I69.109)]	_____	_____	_____
7. If a short-term obligation is to be excluded from current liabilities in a classified balance sheet, do disclosures include:			
a. A general description of the financing agreement?	_____	_____	_____
b. The terms of any new obligation incurred or expected to be incurred, or equity securities issued or expected to be issued as a result of the refinancing? [SFAS 6, par. 15 (AC B05.118)]	_____	_____	_____
8. Are long-term debt agreements subject to a subjective acceleration clause disclosed unless the likelihood of the acceleration of the due date is remote? [FTB 79-3 (AC B05.501-.503)]	_____	_____	_____
9. For a troubled debt restructuring occurring during the current period, do disclosures include:			
a. Description of the principal changes in terms, the major features of settlement, or both?	_____	_____	_____
b. Aggregate gain on restructuring of payables?	_____	_____	_____
c. Aggregate net gain or loss on transfers of assets recognized during the period?	_____	_____	_____
d. Per-share amount of the aggregate gain on restructuring of payables? [SFAS 15, par. 25, as amended by SFAS 145, par. 7b (AC D22.121)]	_____	_____	_____
10. For periods after a troubled debt restructuring, do disclosures include:			
a. Extent to which amounts contingently payable are included in the carrying amount of restructured payables?	_____	_____	_____
b. Total amounts that are contingently payable, if applicable, and conditions under which those amounts would become payable or forgiven? [SFAS 15, par. 26 (AC D22.122)]	_____	_____	_____
11. If there is an early extinguishment of debt, is the difference between reacquisition price and carrying amount identified as income in the period of extinguishment as gain or loss? [APB 26, pars. 20 and 21 (AC D14.103 and .104)]	_____	_____	_____
12. Is the following disclosed if debt was considered to be extinguished by in-substance defeasance under the provisions of SFAS 76, <i>Extinguishment of Debt</i> , prior to the effective date of SFAS 125:			
a. A general description of the transaction?	_____	_____	_____
b. The amount of debt that is considered extinguished at the end of the period so long as that debt remains outstanding? [SFAS 140, par. 17(b) (AC L35.109a)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
13. If assets are set aside after January 1, 1997 solely for satisfying scheduled payments of a specific obligation, is disclosure made describing the nature of restrictions placed on those assets? [SFAS 140, par. 17(c) (AC L35.109b)]	_____	_____	_____
14. Are long-term obligations that are or will be callable by the creditor, either because the debtor's violation of the debt agreement at the balance sheet date makes the obligation callable, or because the violation (if not cured within a specified grace period) will make the obligation callable, classified as current unless one of the following conditions is met:			
a. The creditor waives or subsequently loses the right to demand repayment for more than one year (or operating cycle, if longer) from the balance sheet date?	_____	_____	_____
b. The obligation contains a grace period within which the debtor may cure the violation and it is probable that the violation will be cured within that period, thus preventing the obligation from becoming callable? [SFAS 78, par. 5 (AC B05.109A)]	_____	_____	_____
15. If a covenant on a long-term loan agreement is not met, and thus, the lender has the right to call the debt, and the lender waives that right for a period of greater than one year but retains the future covenant requirements, is the debt classified as noncurrent unless both of the following are met:			
a. The covenant violation occurred at the balance sheet date or would have occurred absent a loan modification?	_____	_____	_____
b. It is probable the company will not be able to comply with the covenant at a measurement date within the next 12 months? [EITF 86-30]	_____	_____	_____
16. Are borrowings outstanding under a revolving credit agreement that includes both a subjective acceleration clause and a requirement to maintain a lock-box arrangement, whereby remittances from the borrower's customers reduce the debt outstanding, classified as short-term obligations? [EITF 95-22]	_____	_____	_____
17. In accordance with PB 15, <i>Accounting by the Issuer of Surplus Notes</i> , are surplus notes classified as debt in the financial statements of the issuer, and are existing disclosure requirements for debt instruments complied with? [AAG, par. 14.15, App. C, par. 15]	_____	_____	_____
18. In accordance with PB 15, is the Insurance Commissioner's role and ability to approve or disapprove any interest or principal payments disclosed? [AAG, par. 14.15, App. C, par. 16]	_____	_____	_____
19. If the reclassification to earnings of the amount in accumulated comprehensive income resulting from a cash flow hedge of debt is required under SFAS 133 when the debt is extinguished, is the reclassified amount not classified as extraordinary? [EITF 00-9]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
S. Other Liabilities			
1. Are liabilities appropriately accrued and reported for employees' compensation for future absences, including sabbatical leaves described in EITF 06-2? [SFAS 43, par. 6 (AC C44.104); EITF 06-2, par. 5]	_____	_____	_____
2. For insurance-related assessments:			
a. If amounts relating to insurance-related assessments have been discounted pursuant to the provisions of SOP 97-3, <i>Accounting by Insurance and Other Enterprises for Insurance-Related Assessments</i> , has the entity disclosed in the financial statements the undiscounted amounts of the liability and any related asset for premium tax offsets or policy surcharges as well as the discount rate used?	_____	_____	_____
b. If amounts have not been discounted, has the entity disclosed in the financial statements the amounts of the liability, any related asset for premium tax offsets or policy surcharges, the periods over which the assessments are expected to be paid, and the period over which the recorded premium tax offsets or policy surcharges are expected to be realized? [SOP 97-3, par. 27; AAG, App. C, par. 26]	_____	_____	_____
T. Shareholders' Equity			
1. For each class of stock, do disclosures include the number of shares authorized, issued, and outstanding, and par or stated value per-share? [Generally Accepted]	_____	_____	_____
2. Are classes of capital stock presented in order of priority in liquidation? [Generally Accepted]	_____	_____	_____
3. Do the financial statements include a description, in summary form, sufficient to explain the pertinent rights and privileges of the various securities outstanding (e.g., dividend and liquidation preferences, participation rights, call prices and dates, conversion or exercise prices or rates and pertinent dates, sinking fund requirements, unusual voting rights, and significant terms of contracts to issue additional shares)? [SFAS 129, par. 4 (AC C24.102)]	_____	_____	_____
4. Do disclosures include the number of shares issued upon conversion, exercise, or satisfaction of required conditions during at least the most recent annual fiscal period and any subsequent interim period presented? [SFAS 129, par. 5 (AC C24.103)]	_____	_____	_____
5. For preferred stock that has a preference in involuntary liquidation considerably in excess of par or stated value of the shares, is the liquidation preference disclosed in the equity section of the balance sheet in the aggregate, either parenthetically or "in short," rather than on a per-share basis or in the notes to the financial statements? [SFAS 129, par. 6 (AC C24.104)]	_____	_____	_____
6. Are the following disclosed on the face of the balance sheet or in the notes:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The aggregate or per-share amounts at which preferred stock may be called or are subject to redemption through sinking-fund operations or otherwise?	_____	_____	_____
b. The aggregate and per-share amounts of arrearages in cumulative preferred dividends? [SFAS 129, par. 7 (AC C24.105)]	_____	_____	_____
7. For redeemable stock, do disclosures include the amount of redemption requirements, separately by issue or combined, for all issues of capital stock that are redeemable at fixed or determinable prices on fixed or redeemable dates in each of the five years following the date of the latest balance sheet? [SFAS 129, par. 8 (AC C24.106)]	_____	_____	_____
8. Do disclosures for contingently convertible securities include the significant quantitative and qualitative terms of the conversion features to enable users of the financial statements to understand the circumstances of the contingency and the potential impact of conversion, including:			
a. Events or changes in circumstances that would cause the contingency to be met and any significant features necessary to understand the conversion rights and the timing of those rights (for example, the periods in which (1) the contingency might be met and (2) the securities may be converted if the contingency is met)?	_____	_____	_____
b. The conversion price and the number of shares into which the security is potentially convertible?	_____	_____	_____
c. Events or changes in circumstances, if any, that could adjust or change the contingency, conversion price, or number of shares, including significant terms of those changes?	_____	_____	_____
d. The manner of settlement upon conversion and any alternative settlement methods (for example, cash, shares, or a combination)? [FSP 129-1, par. 4 (AC C24.804)]	_____	_____	_____
9. Do disclosures indicate whether the shares that would be issued if the contingently convertible securities were converted are included in the calculation of diluted EPS, and the reasons why or why not? [FSP 129-1, par. 5 (AC C24.805)]	_____	_____	_____
10. Are appropriations of retained earnings for loss contingencies clearly identified and included in shareholders' equity? [SFAS 5, par. 15 (AC R70.103)]	_____	_____	_____
11. Are restrictions on payment of dividends disclosed? [SFAS 5, pars. 18 and 19 (AC C59.120)]	_____	_____	_____
12. After completion of a quasi-reorganization, is a new retained earnings account established and dated with the date being disclosed in subsequent financial statements until it is no longer deemed significant? ³ [ARB 43, Ch. 7A, par. 10 (AC Q15.111); ARB 46 (AC Q15.111); SFAS 111, par. 8(a)3]	_____	_____	_____

³ As stated in paragraph 8(a)3 of SFAS 111, the dating would rarely, if ever, be of significance after a period of ten years.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
13. Are the carrying basis, cost and number of shares of any treasury stock held by the reporting entity disclosed? [Generally Accepted]	_____	_____	_____
14. If treasury stock is purchased for purposes other than retirement or if ultimate disposition has not yet been decided, is its cost:			
a. Shown separately as a deduction from the total of capital stock, additional paid-in capital, and retained earnings? or	_____	_____	_____
b. Accorded the accounting treatment appropriate for retired stock? [APB 6, par. 12b (AC C23.103)]	_____	_____	_____
15. If state laws relating to acquisition of stock restrict the availability of retained earnings for payment of dividends or other significant effects, is appropriate disclosure made? [APB 6, par. 13 (AC C23.104)]	_____	_____	_____

Note: If SFAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, has not been adopted answer Question 16, if it has been adopted answer Question 17:

The Statement provides different effective dates for the recognition and related disclosure provisions and for the required change to a fiscal year-end measurement date. Also, the effective date of the recognition and disclosure provisions differs for an employer that is an issuer of publicly traded equity securities from one that is not. Readers should refer to the full text of the Statement to understand the various effective dates.

See Part J1 "Employers' Disclosures for Defined Benefit Pension and Other Postretirement Plans" of the "Other Financial Statement Disclosures" section of this Checklist for additional disclosures and effective dates.

16. If an additional liability required to be recognized pursuant to SFAS 87, paragraph 36 (AC P16.130), exceeds unrecognized prior-service cost, is the excess (which would represent a net loss not yet recognized as net periodic pension cost) reported in other comprehensive income, net of any tax benefits that result from considering such losses as temporary differences, for purposes of applying the provisions of SFAS 87, paragraph 37 and SFAS 109, paragraph 287? [SFAS 87, par. 37 (AC P16.131)]	_____	_____	_____
17. If the asset or liability that is recognized pursuant to SFAS 87, paragraph 35, results in a temporary difference, as defined in SFAS 109, <i>Accounting for Income Taxes</i> , is the deferred tax effects of any temporary differences recognized in income tax expense or benefit for the year and allocated to various financial statement components, including other comprehensive income, pursuant to paragraphs 35–39 of SFAS 109? [SFAS 87, par. 37, as amended by SFAS 158 (AC P16.131)]	_____	_____	_____
18. For treasury shares purchased at a stated price significantly in excess of current market price, is the allocation of amounts paid and the accounting treatment for such amounts disclosed? [FTB 85-6, pars. 1–3 (AC C23.501–.503)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
19. Is the following information relating to stockholders' equity, statutory capital and surplus, and the effects of statutory accounting practices on the ability to pay dividends to stockholders disclosed:			
a. The amount of statutory capital and surplus?	_____	_____	_____
b. The amount of statutory capital and surplus necessary to satisfy regulatory requirements (based on current operations) if significant in relation to the statutory capital and surplus?	_____	_____	_____
c. The nature of statutory restrictions on the payment of dividends and the amount of retained earnings that is not available for the payment of dividends to stockholders? [SFAS 60, par. 60h (AC In6.166h); AAG, App. C, par. 17]	_____	_____	_____
20. If the company receives a note rather than cash as a contribution to its equity, is the note classified as a reduction of stockholders' equity unless (in the very limited circumstance) there is substantial evidence of ability and intent to pay within a reasonably short period of time? [EITF 85-1]	_____	_____	_____

Income Statement

A. Premium Revenue

- | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. Are premiums from universal life contracts no longer included in revenue but recorded in the balance sheet policyholder accounts?
[SFAS 97, par. 59 (AC In6.116A)] | _____ | _____ | _____ |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|

B. Investment Income

- | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. Are amounts of interest income, loan origination, commitment, amortization amounts, and other fees and costs recognized as an adjustment of yield reported as part of interest income?
[SFAS 91, par. 22 (AC L20.121); AAG, par. 11.69] | _____ | _____ | _____ |
| 2. Is investment income presented net of investment expenses?
[SFAS 97, par. 23 (AC In6.137B)] | _____ | _____ | _____ |
| 3. Are realized gains and losses on all investments (except investments that are classified as trading securities and those that are accounted for as either hedges of net investments in foreign operations or cash flow hedges as described in SFAS 133) reported in the statement of income as a component of other income, on a pretax basis?
[SFAS 97, par. 28 (AC In6.156)] | _____ | _____ | _____ |
| 4. For all three categories of investments under SFAS 115, is interest and dividend income, including amortization of premium and discount, included in earnings?
[AAG, par. 11.12] | _____ | _____ | _____ |

C. Other Income

- | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. Is amortization of other fees, such as commitment fees that are being amortized on a straight-line basis over the commitment period or included in income when the commitment expires, reported as service fee income?
[SFAS 91, par. 22 (AC L20.121)] | _____ | _____ | _____ |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
D. Benefits and Expenses			
1. Do disclosures for advertising costs include:			
a. The accounting policy selected from the two alternatives in paragraph 26 of SOP 93-7, <i>Reporting on Advertising Costs</i> , for reporting advertising, indicating whether such costs are expensed as incurred or the first time the advertising takes place?	_____	_____	_____
b. A description of the direct-response advertising reported as assets (if any), the accounting policy, and the amortization period?	_____	_____	_____
c. The total amount charged to advertising expense for each income statement presented, with separate disclosure of amounts, if any, representing a write-down to net realizable value and the reasons for such a write-down?	_____	_____	_____
d. The total amount of advertising reported as assets in each balance sheet? [SOP 93-7, par. 49]	_____	_____	_____
2. Are payments to policyholders that represent a return of policyholder balances <i>not</i> reported as expenses in the statement of earnings? [AAG, par. 9.30; SFAS 97, par. 21]	_____	_____	_____
3. Do amounts reported as expenses include benefit claims in excess of the related policyholder balances, expenses of contract administration, interest accrued to policyholders, and amortization of capitalized acquisition costs? [AAG, par. 9.30]	_____	_____	_____
4. Are depreciation and other related charges or credits related to real estate investments recorded as investment expense or operating expense depending on the balance sheet classification of the underlying assets? [AAG, par. 11.93; SFAS 60, par. 48 (AC In6.154)]	_____	_____	_____
E. Income Taxes			
1. Are the types of significant temporary differences and carryforwards disclosed? [SFAS 109, par. 43 (AC I27.142)]	_____	_____	_____
2. Are the following significant components of income tax expense attributable to continuing operations for each year presented disclosed in the financial statements or notes thereto:			
a. Current tax expense or benefit?	_____	_____	_____
b. Deferred tax expense or benefit (exclusive of the effects of other components listed below)?	_____	_____	_____
c. Investment tax credits?	_____	_____	_____
d. The benefits of operating loss carryforwards?	_____	_____	_____
e. Tax expense that results from allocating certain benefits, either directly to contributed capital or to reduce goodwill or other noncurrent intangible assets, of an acquired company?	_____	_____	_____
f. Adjustments of a deferred tax liability or asset for enacted changes in tax laws or rates or a change in the tax status of the enterprise?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
g. Adjustments of the beginning-of-the-year balance of a valuation allowance because of a change in circumstances that causes a change in judgment about the realizability of the related deferred tax asset in future years? [SFAS 109, par. 45a–h (AC I27.144A–H)]	_____	_____	_____
h. The amounts and expiration dates of operating loss and tax credit carryforwards for tax purposes?	_____	_____	_____
i. Any portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be allocated to reduce goodwill or other noncurrent intangible assets of an acquired entity or directly to contributed capital? [SFAS 109, pars. 45 and 48 (AC I27.144 and .147)]	_____	_____	_____
3. Is the amount of income tax expense or benefit allocated to continuing operations and the amounts separately allocated to other items (in accordance with the provisions of paragraphs 35–39 of SFAS 109 (AC I27.134–.138)) disclosed for each year for which those items are presented? [SFAS 109, par. 46 (AC I27.145)]	_____	_____	_____
4. If the company is a public enterprise, do the financial statements disclose a reconciliation using percentages or dollar amounts of (i) the reported amount of income tax expense attributable to continuing operations for the year to (ii) the amount of income tax expense that would result from applying domestic federal statutory tax rates to pretax income from continuing operations? [SFAS 109, par. 47 (AC I27.146)]	_____	_____	_____
5. If the company is a public enterprise, is the estimated amount and the nature of each significant reconciling item disclosed? [SFAS 109, par. 47 (AC I27.146)]	_____	_____	_____
6. If the company is a nonpublic enterprise, is the nature of significant reconciling items disclosed (a numerical reconciliation may be omitted)? [SFAS 109, par. 47 (AC I27.146)]	_____	_____	_____
7. If the company is a member of a group that files a consolidated tax return, are the following items disclosed in its separately issued financial statements:			
a. The aggregate amount of current and deferred tax expense for each statement of income presented and the amount of any tax-related balances due to or from affiliates as of the date of each statement of financial position presented?	_____	_____	_____
b. The principal provisions of the method by which the consolidated amount of current and deferred tax expense is allocated to members of the group and the nature and effect of any changes in that method (and in determining related balances to or from affiliates) during the years for which the disclosures in Question <i>a</i> above are presented? [SFAS 109, par. 49a and b (AC I27.148A and B)]	_____	_____	_____
8. If an entity is involved in the sale or purchase of tax benefits through tax leases, are the accounting policies or practices followed for those transactions disclosed in accordance with APB 22, <i>Disclosure of Accounting Policies</i> ? Do the disclosures include the following:	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The method of accounting for those transactions?	_____	_____	_____
b. The methods of recognizing revenue?	_____	_____	_____
c. The method of allocating income tax benefits and asset costs to current and future periods? [FTB 82-1, par. 4 (AC I27.503)]	_____	_____	_____
9. If material and unusual or infrequent to the entity, are the nature and financial effects of transactions involving the sale or purchase of tax benefits through tax leases disclosed on the face of the income statement or, alternatively, in the notes to the financial statements in accordance with APB 30, <i>Reporting the Results of Operations</i> ? [FTB 82-1, par. 6 (AC I27.506)]	_____	_____	_____
10. Are disclosures included if significant contingencies exist with respect to the sale or purchase of tax benefits through tax leases in accordance with SFAS 5? [FTB 82-1, par. 7 (AC I27.506)]	_____	_____	_____
11. Are disclosures included for any change in the method of accounting for sales or purchases of tax benefits through tax leases that significantly affects comparability if comparative financial statements are presented in accordance with paragraph 2 of Chapter 2A of ARB 43? [FTB 82-1, par. 7 (AC I27.506)]	_____	_____	_____
12. Does an enterprise that previously recognized the qualified production activities deduction, associated with the American Jobs Creation Act of 2004, as a tax rate reduction restate its financial statements in accordance with paragraph 27 of APB 20, <i>Accounting Changes</i> , to reflect the deduction as a special deduction as prescribed in paragraphs 231 and 232 of SFAS 109, and provide the disclosures required by paragraph 28 of APB 20 and paragraph 14 of SFAS 3, <i>Reporting Accounting Changes in Interim Financial Statements</i> , if applicable? [FSP 109-1]	_____	_____	_____
13. Is the following information disclosed for an enterprise that has not yet completed its evaluation of the repatriation provision, associated with the American Jobs Creation Act of 2004 ("Act"), for purposes of applying SFAS 109 for each period for which financial statements covering periods affected by the Act are presented:			
a. A summary of the repatriation provision as it applies to the enterprise, including the status of the enterprise's evaluation of the effects of the repatriation provision as well as the evaluation's expected completion date?	_____	_____	_____
b. If the entity makes decisions in stages, the effect on income tax expense (or benefit) for any amounts that have been recognized under the repatriation provision? For annual financial statements, any effect should be shown separately in the same place (either on the face of the income statement or in the footnotes) that the amounts of current and deferred taxes are disclosed for the period.	_____	_____	_____
c. The range of reasonably possible amounts of unremitted earnings that is still being considered for repatriation as a result of the repatriation provision and the related potential range of income tax effects of such repatriation? If the related range of income tax effects of such repatriation cannot be reasonably estimated at the			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
time of issuance of its financial statements, an enterprise shall provide a statement to that effect.	_____	_____	_____
d. Pro forma financial data for any effect of the repatriation provision (at a minimum, the effect on income tax expense (or benefit)) if the enterprise decides on a plan for reinvestment or repatriation of foreign earnings (as a result of the repatriation provision) subsequent to the date of its financial statements but prior to the issuance of those financial statements? [FSP 109-2]	_____	_____	_____
14. Is the following information provided in an enterprise's financial statements for the period in which it completes its evaluation of the repatriation provision, associated with the American Jobs Creation Act of 2004:			
a. The total effect on income tax expense (or benefit) for amounts that have been recognized under the repatriation provision? For annual financial statements, any effect should be shown separately in the same place (either on the face of the income statement or in the footnotes) that the amounts of current and deferred taxes are disclosed for the period. [FSP 109-2]	_____	_____	_____
Note: In June 2006, FASBI 48, <i>Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109</i> , was issued. The Interpretation is effective for fiscal years beginning after December 15, 2006. Earlier application of the provisions of the Interpretation is encouraged if the enterprise has not yet issued financial statements, including interim financial statements, in the period the Interpretation is adopted. Readers should refer to paragraphs 23–24 of the Interpretation for transition requirements. For additional guidance readers may refer to a practice guide developed by the staff of the AICPA Accounting Standards, Audit and Attest Standards, and Tax Teams entitled “Accounting for Uncertain Tax Positions Under FIN 48” to help practitioners implement FASB Interpretation (FASBI) 48, “Accounting for Uncertain Tax Positions.” FASBI 48 interprets FASB Statement of Financial Accounting Standards (SFAS) No. 109, <i>Accounting for Income Taxes</i> .			
15. Does an enterprise disclose its policy on classification of interest and penalties in accordance with paragraph 19 of FASBI 48 in the footnotes to the financial statements? [FASBI 48, par. 20]	_____	_____	_____
16. Does an enterprise disclose the following at the end of each annual reporting period presented:			
a. A tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of the period, which shall include at a minimum:			
(1) The gross amounts of the increases and decreases in unrecognized tax benefits as a result of tax positions taken during a prior period?	_____	_____	_____
(2) The gross amounts of increases and decreases in unrecognized tax benefits as a result of tax positions taken during the current period?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(3) The amounts of decreases in the unrecognized tax benefits relating to settlements with taxing authorities?	_____	_____	_____
(4) Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations?	_____	_____	_____
b. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate?	_____	_____	_____
c. The total amounts of interest and penalties recognized in the statement of operations and the total amounts of interest and penalties recognized in the statement of financial position?	_____	_____	_____
d. For positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date:			
(1) The nature of the uncertainty?	_____	_____	_____
(2) The nature of the event that could occur in the next 12 months that would cause the change?	_____	_____	_____
(3) An estimate of the range of the reasonably possible change or a statement that an estimate of the range cannot be made?	_____	_____	_____
e. A description of tax years that remain subject to examination by major tax jurisdictions? [FASBI 48, par. 21]	_____	_____	_____
17. If an enterprise presents a classified statement of financial position, does the entity classify a liability associated with an unrecognized tax benefit as a current liability (or the amount of a net operating loss carryforward or amount refundable is reduced) to the extent the enterprise anticipates payment (or receipt) of cash within one year or the operating cycle, if longer? Furthermore, has the liability for unrecognized tax benefits (or reduction in amounts refundable) not been combined with deferred tax liabilities or assets? [FASBI 48, par. 17]	_____	_____	_____
18. Is a liability that has been recognized as a result of applying FASBI 48, not classified as a deferred tax liability unless it arises from a taxable temporary difference? [FASBI 48, par. 18]	_____	_____	_____
F. Extraordinary Items, Unusual Items, Infrequent Items			
1. Do extraordinary items meet both criteria of (1) unusual nature and (2) infrequency of occurrence? [APB 30, par. 20 (AC I17.107)]	_____	_____	_____
2. Are extraordinary items segregated and shown (including applicable income taxes) following income before extraordinary items and before net income? [APB 30, par. 11 (AC I17.102)]	_____	_____	_____
3. Are descriptive captions and amounts (including applicable income taxes) presented for individual extraordinary events or transactions, preferably on the face of the income statement? [APB 30, par. 11 (AC I17.102)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Do disclosures include descriptions of an extraordinary event or transaction and the principal items entering into determination of extraordinary gain or loss? [APB 30, par. 11 (AC I17.102)]	_____	_____	_____
5. Are the income taxes applicable to extraordinary events disclosed on the face of the statement of operations or in related notes? [APB 30, par. 11 (AC I17.102)]	_____	_____	_____
6. Is each adjustment in the current period of an element of an extraordinary item that was reported in a prior period separately disclosed as to year of origin, nature, and amount and classified separately in the current period as an extraordinary item? [SFAS 16, par. 16c (AC I17.119)]	_____	_____	_____
7. Are material events or transactions that are either unusual in nature or of infrequent occurrence, but not both (and therefore not meeting criteria for extraordinary items):			
a. Reported as a separate component of income from continuing operations?	_____	_____	_____
b. Accompanied by disclosure of the nature and financial effects of each event? [APB 30, par. 26 (AC I22.101)]	_____	_____	_____
8. Is the following information disclosed in the notes to the financial statements in the period(s) in which business interruption (BI) insurance recoveries are recognized:			
a. The nature of the event resulting in business interruption losses?	_____	_____	_____
b. The aggregate amount of BI insurance recoveries recognized during the period and the line item(s) in the statement of operations in which those recoveries are classified (including amounts reported as an extraordinary item pursuant to APB 30)? [EITF 01-13]	_____	_____	_____

G. Earnings Per-Share

Note: SFAS 128, *Earnings per Share*, applies only to entities with publicly held common stock or potential common stock.

- | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. If the reporting entity has a simple capital structure (only common stock outstanding), are basic per-share amounts for income from continuing operations and for net income presented on the face of the income statement for all periods for which an income statement or summary of earnings is presented?
[SFAS 128, pars. 36 and 38 (AC E11.131 and .133)] | _____ | _____ | _____ |
| 2. If the reporting entity has other than a simple capital structure, are basic and diluted per-share amounts for income from continuing operations and for net income presented on the face of the income statement with equal prominence for all periods for which an income statement or summary of earnings is presented? (Note: If diluted EPS data are reported for at least one period, they should be reported for all periods presented, even if they are the same amounts as basic EPS.)
[SFAS 128, pars. 36 and 38 (AC E11.131 and .133)] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. If discontinued operations, extraordinary items, or the cumulative effect of accounting changes are reported in the period, are the basic and diluted per-share amounts for those line items presented on the face of the income statement or in the notes? [SFAS 128, par. 37 (AC E11.132)]	_____	_____	_____
4. If per-share amounts not required to be presented by SFAS 128 are disclosed, are they disclosed only in the notes and do the disclosures indicate whether the per-share amounts are pretax or net of tax? [SFAS 128, par. 37 (AC E11.132)]	_____	_____	_____
5. Are the following disclosed for each period for which an income statement is presented:			
a. A reconciliation of the numerators and denominators of the basic and diluted per-share computations for income from continuing operations?	_____	_____	_____
b. The effect that has been given to preferred dividends in arriving at income available to common shareholders' in computing basic EPS?	_____	_____	_____
c. Securities (including those issuable pursuant to contingent stock agreements) that could potentially dilute basic EPS in the future that were not included in the computation of diluted EPS because to do so would have been antidilutive for the period(s) presented? [SFAS 128, par. 40 (AC E11.135)]	_____	_____	_____
6. For the latest period for which an income statement is presented, do disclosures include a description of any transaction that occurs after the end of the most recent period but before issuance of the financial statements that would have changed materially the number of common shares or potential common shares outstanding at the end of the period if the transaction had occurred before the end of the period? [SFAS 128, par. 41 (AC E11.136)]	_____	_____	_____
7. If the number of common shares outstanding increases as a result of a stock dividend or stock split or decreases as a result of a reverse stock split, the computations of basic and diluted EPS should be adjusted retroactively for all periods presented to reflect that change in capital structure. If per-share computations reflect such changes in the number of shares, is that fact disclosed? [SFAS 128, par. 54 (AC E11.147)]	_____	_____	_____
8. If changes in common stock resulting from stock dividends, stock splits, or reverse stock splits occur after the close of the period but before issuance of the financial statements, the per-share computations for those and any prior-period financial statements presented should be based on the new number of shares. If per-share computations reflect such changes in the number of shares, is that fact disclosed? [SFAS 128, par. 54 (AC E11.147)]	_____	_____	_____
9. When prior earnings per-share amounts have been restated in compliance with an accounting standard requiring restatement, is the effect of the restatement, expressed in per-share terms, disclosed in the period of restatement? [SFAS 128, par. 57 (AC E11.150)]	_____	_____	_____
10. Are prior period earnings per-share amounts presented for comparative purposes restated to conform to the consensus guidance in EITF			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
03-6, <i>Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings per Share</i> [EITF 03-6]	_____	_____	_____
11. For contingently convertible instruments outstanding at the date of adoption of EITF 04-8 and whose terms have not been modified since the date of issuance, are prior-period diluted earnings per-share restated to conform to the guidance in the consensus for comparative purposes? [EITF 04-8]	_____	_____	_____
12. For contingently convertible instruments outstanding at the date of adoption of EITF 04-8 and whose terms have been modified, are prior-period diluted earnings per-share restated to conform to the guidance in the consensus for comparative purposes based on the modified terms of the instrument at the date of adoption of EITF 04-8? [EITF 04-8]	_____	_____	_____
13. For contingently convertible instruments that have been stock settled (stock settled would include conversion) prior to the date of adoption of EITF 04-8, are all prior-period diluted earnings per-share restated to conform to the guidance in the consensus for comparative purposes? [EITF 04-8]	_____	_____	_____

H. Comprehensive Income

1. Are all components of comprehensive income reported in the financial statements in the period in which they are recognized? [SFAS 130, par. 14 (AC C49.108)]	_____	_____	_____
2. Is a total amount for comprehensive income displayed in the financial statement where the components of other comprehensive income are reported? [SFAS 130, par. 14 (AC C49.108)]	_____	_____	_____
3. Is an amount for net income displayed and included as a component of comprehensive income? [SFAS 130, pars. 15 and 22 (AC C49.109 and .116)]	_____	_____	_____

Note: If SFAS 158 is not effective, answer Question 4, if it is effective, go to Question 5 below.

4. Are items included in other comprehensive income classified separately into foreign currency items, minimum pension liability adjustments, and unrealized gains and losses on certain investments in debt and equity securities? [SFAS 130, par. 17 (AC C49.111)]	_____	_____	_____
5. Are items included in other comprehensive income classified separately into foreign currency items, gains or losses associated with pension or other postretirement benefits, prior service costs or credits associated with pension or other postretirement benefits, transition assets or obligations associated with pension or other postretirement benefits, and unrealized gains and losses on certain investments in debt and equity securities? [SFAS 130, par. 17, as amended by SFAS 158 (AC C49.111)]	_____	_____	_____
6. Are reclassification adjustments made that avoid double counting in comprehensive income of items that are displayed as part of net			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
income for a period that also had been displayed as part of other comprehensive income in that period or other periods presented on the face of the financial statement in which comprehensive income is reported or disclosed in the notes? [SFAS 130, par. 20, as amended by SFAS 158 (AC C49.114)]	_____	_____	_____
7. Are comprehensive income and its components displayed in a financial statement that is displayed with the same prominence as the other financial statements? (<i>Note:</i> SFAS 130 encourages but does not require that the components of other comprehensive income and total comprehensive income be displayed below the total for net income in a statement that reports results of operations or in a separate statement of comprehensive income that begins with net income.) [SFAS 130, pars. 22 and 23 (AC C49.116 and .117)]	_____	_____	_____
8. Are the components of other comprehensive income displayed either net of related tax effects, or before related tax effects with one amount shown for the aggregate tax effect related to the total of other comprehensive income items? [SFAS 130, par. 24 (AC C49.118)]	_____	_____	_____
9. Is the amount of income tax expense or benefit allocated to each component of other comprehensive income (including reclassification adjustments) displayed on the face of the statement in which those components are displayed or disclosed in the notes to the financial statements? [SFAS 130, par. 25 (AC C49.119)]	_____	_____	_____
10. Is the total of other comprehensive income for a period transferred to a component of equity that is displayed separately from retained earnings and additional paid-in-capital in the balance sheet with a descriptive title such as <i>accumulated other comprehensive income</i> ? [SFAS 130, par. 26 (AC C49.120)]	_____	_____	_____
11. Are accumulated balances for each classification within accumulated other comprehensive income disclosed on the face of the balance sheet, in the statement of changes in shareholders' equity, or in the notes? [SFAS 130, par. 26 (AC C49.120)]	_____	_____	_____
12. Has the enterprise reported a total for comprehensive income in condensed financial statements of interim periods? [SFAS 130, par. 27 (AC C49.121)]	_____	_____	_____
13. Has the entity displayed as a separate classification within other comprehensive income the net gain or loss on derivative instruments designated and qualifying as cash flow hedging instruments that are reported in comprehensive income pursuant to paragraphs 30 and 41 of SFAS 133? [SFAS 133, par. 46 (AC D50)]	_____	_____	_____
14. As part of the disclosures of accumulated other comprehensive income, pursuant to paragraph 26 of SFAS 130, <i>Reporting Comprehensive Income</i> , has the entity separately disclosed the beginning and ending accumulated derivative gain or loss, the related net change associated with current period hedging transactions, and the net amount of any reclassification into earnings? [SFAS 133, par. 47 (AC D50)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
I. Other			
1. Are the following excluded from determination of net income or results of operations under all circumstances:			
a. Adjustments or charges or credits resulting from transactions in the company's own capital stock?	_____	_____	_____
b. Transfers to and from accounts properly designated as appropriated retained earnings?	_____	_____	_____
c. Adjustments made pursuant to a quasi reorganization? [APB 9, par. 28 (AC C08.101)]	_____	_____	_____
2. Is the amount of revenue and expense recognized from advertising barter transactions disclosed for each income statement period presented? [EITF 99-17]	_____	_____	_____
3. If the entity engages in advertising barter transactions for which the fair value is not determinable within the limits of EITF 99-17, is information regarding the volume and type of advertising surrendered and received (such as the number of equivalent pages, the number of minutes, or the overall percentage of advertising volume) disclosed for each income statement period presented? [EITF 99-17]	_____	_____	_____
4. At a minimum, is a description of the nature and amounts of losses and costs recognized as a result of the September 11 events and the amount of related insurance recoveries (if any) recognized disclosed in the notes to the financial statements in all periods affected by the September 11, 2001 attacks? [EITF 01-10]	_____	_____	_____
5. Are losses and costs incurred as a result of the September 11, 2001 attacks classified as part of income from continuing operations? [EITF 01-10]	_____	_____	_____
6. Does a vendor disclose the following in regard to revenue arrangements with multiple deliverables:			
a. Its accounting policy for recognition of revenue from multiple-deliverable arrangements (for example, whether deliverables are separable into units of accounting)?	_____	_____	_____
b. The description and natures of such arrangements, including performance, cancellation, termination, or refund-type provisions? [EITF 00-21]	_____	_____	_____
7. Is the income statement classification of the expense associated with a "free" product or service delivered at the time of sale of another product or service classified as cost of sales? [EITF 01-9]	_____	_____	_____

Notes: EITF 06-3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation)*, provides guidance on the presentation of taxes in the income statement. The Task Force reached a consensus that the disclosures required under EITF 06-3 should be applied retrospectively to interim and annual financial statements for all periods presented, if those amounts are significant. The disclosure of those taxes described under the consensus can be made on an aggregate basis. The Task Force

(continued)

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
observed that since EITF 06-3 requires only the presentation of additional disclosures, at the date of adoption an entity would not be required to reevaluate its existing policies related to taxes assessed by a governmental authority that are imposed concurrently on a specific revenue-producing transaction between a seller and a customer. An entity that chooses to reevaluate its existing policies and elects to change the presentation of taxes within the scope of EITF 06-3 must follow the requirements of SFAS 154, which provides that an entity may voluntarily change its accounting principles only to adopt a preferable accounting principle.			
The consensus in EITF 06-3 should be applied to financial reports for interim and annual reporting periods beginning after December 15, 2006. Earlier application is permitted.			
8. Is the accounting policy decision regarding the presentation of taxes within the scope of EITF 06-3 Issue 1 on either a gross basis (included in revenues and costs) or a net basis (excluded from revenues) disclosed pursuant to APB 22? [EITF 06-3, par. 4]	_____	_____	_____
Note: An entity is not required to reevaluate its existing policies related to taxes assessed by a governmental authority as a result of this consensus.			
9. For any such taxes that are reported on a gross basis, does the entity disclose the amounts of those taxes in interim and annual financial statements for each period for which an income statement is presented if those amounts are significant? [EITF 06-3, par. 4]	_____	_____	_____
Note: The disclosure of those taxes can be done on an aggregate basis.			
Note: The AICPA has released a series of questions and answers also known as a Technical Practice Aid. TPA 5400.05, "Accounting and Disclosures Guidance for Losses From Natural Disasters—Nongovernmental Entities," identifies certain issues that may arise in accounting for losses from natural disasters and lists relevant accounting literature for nongovernmental entities to consider in addressing those financial reporting issues.			

Statement of Changes in Shareholders' Equity

1. Are changes in the separate accounts of shareholders' equity disclosed? [APB 12, par. 10 (AC C08.102)]	_____	_____	_____
2. Are changes in the number of shares of equity securities disclosed? [APB 12, par. 10 (AC C08.102)]	_____	_____	_____
3. If prior-period adjustments have been recorded during the current year, are their resulting effects (both gross and net of applicable income taxes and including the amounts of income tax applicable to the prior period adjustments) appropriately disclosed:			
a. For single-period statements, does the disclosure indicate the effects of such restatement on the balance of retained earnings at			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
the beginning of the period and on the net income of the immediately preceding period?	_____	_____	_____
b. If financial statements of more than one period are presented, does disclosure include the effects for each of the periods presented in the statements? [APB 9, par. 26 (AC A35.107)]	_____	_____	_____

Practice Tip

Disclosure of restatements in annual reports issued subsequent to the first such post-revision disclosure would ordinarily not be required.

4. If the reporting entity is a publicly traded company and if interim financial data and disclosures are not separately reported for the fourth quarter, are accounting changes made during the fourth quarter, disposals of segments of a business (components of an entity, if SFAS 144 is effective), extraordinary, unusual, or infrequently occurring items recognized in the fourth quarter, and the aggregate effect of year end adjustments that are material to the results of that quarter disclosed in a note to the financial statements?
[APB 28, par. 31 (AC I73.147)]

Statement of Cash Flows

1. Is a statement of cash flows presented as a basic financial statement (for each period for which a statement of income is presented) if financial statements present both financial position and results of operations?
[SFAS 95, par. 3 (AC C25.101)]
2. Are cash receipts and cash payments from operating activities shown separately on the statement of cash flows?
[SFAS 95, pars. 27 and 28 (AC C25.125 and .126)]
 - a. Are cash receipts and cash payments resulting from purchases and sales of securities classified as trading securities as discussed in SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities*, classified as operating cash flows?
[SFAS 102, par. 8, as amended by SFAS 115, as amended by SFAS 145 (AC C25.122A)]
 - b. Are cash receipts and cash payments from purchases and sales of securities and other assets acquired for resale and carried at market value in a trading account classified as operating cash flows?
[SFAS 102, par. 8, as amended by SFAS 115 (AC C25.122A)]
 - c. Are cash receipts and cash payments resulting from purchases, acquisitions and sales of loans, if those loans are acquired specifically for resale and are carried at market value or the lower of cost or market, classified as operating cash flows?
[SFAS 102, par. 9 (AC C25.122B)]
3. Are cash receipts and cash payments for the following transactions classified as cash flows from operating activities:
 - a. Cash receipts from sales of goods or services?
 - b. Cash receipts from interest and dividends?

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. All other cash receipts that do not stem from transactions defined as investing or financing activities?	_____	_____	_____
d. Cash payments to suppliers and employees, such as benefits paid to policyholders, surrender benefits, and dividends paid to policyholders?	_____	_____	_____
e. Cash payments to governments for taxes, duties, fines, and other fees or penalties and the cash that would have been paid for income taxes if increases in the value of equity instruments issued under share-based payment arrangements that are not included in the costs of goods or services recognizable for financial reporting purposes also had not been deductible in determining taxable income? (This is the same amount reported as a financing cash inflow pursuant to paragraph 19(e) of SFAS 95.)	_____	_____	_____
f. Cash payments to lenders and other creditors for interest?	_____	_____	_____
g. Payments to settle lawsuits?	_____	_____	_____
h. Contributions to charities?	_____	_____	_____
i. Cash flows from purchases, sales, and maturities of trading securities?	_____	_____	_____
j. All other cash payments that do not stem from transactions defined as investing or financing activities? [SFAS 95, pars. 22 and 23, as amended by SFAS 123(R) (AC C25.120 and .121)]	_____	_____	_____
4. Is cash payment made to settle an asset retirement obligation classified in the statement of cash flows as an operating activity? [EITF 02-6]	_____	_____	_____
5. Are cash receipts and cash payments from investing activities shown separately on statement of cash flows? [SFAS 95, par. 31 (AC C25.129)]	_____	_____	_____
6. Are cash receipts and cash payments for the following transactions classified as cash flows from investing activities:			
a. Receipts from collections or sales of loans?	_____	_____	_____
b. Receipts from sales of property, plant, and equipment?	_____	_____	_____
c. Loans to others?	_____	_____	_____
d. Payments to acquire property, plant, and equipment?	_____	_____	_____
e. Receipts from sales of equity instruments of other enterprises exclusive of those carried in the trading account?	_____	_____	_____
f. Payments to acquire equity instruments of other enterprises, exclusive of those carried in a trading account? [SFAS 95, pars. 16 and 17, as amended by SFAS 102, as amended by SFAS 115 (AC C25.114 and .115)]	_____	_____	_____
7. Are cash receipts and cash payments from financing activities shown separately on the statement of cash flows? [SFAS 95, par. 31 (AC C25.129)]	_____	_____	_____
8. Are cash receipts and cash payments for the following transactions classified as cash flows from financing activities:			
a. Proceeds from issuing equity instruments?	_____	_____	_____
b. Proceeds from issuing bonds, mortgages, and notes, and from other short- or long-term borrowing?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Repayment of amounts borrowed?	_____	_____	_____
d. Dividend payments to stockholders?	_____	_____	_____
e. Acquisition of treasury stock?	_____	_____	_____
f. Other principal payments to creditors who have extended long-term credit?	_____	_____	_____
g. Debt issue costs?	_____	_____	_____
h. Proceeds received from derivative instruments and distributions to counterparties of derivative instruments that include financing elements at inception? [SFAS 95, pars. 19 and 20, as amended by SFAS 149 (AC C25.117 and .118); EITF 95-13]	_____	_____	_____
i. Cash retained as a result of the tax deductibility of increases in the value of equity instruments issued under share-based payment arrangements that are not included in the cost of goods or services that is recognizable for financial reporting purposes? For this purpose, excess tax benefits shall be determined on an individual award (or a portion thereof) basis. (<i>Note:</i> This item is only effective if the provisions of SFAS 123(R) are effective.) [SFAS 123(R), par. 68a]	_____	_____	_____
9. If applicable, is the effect of exchange rate changes on cash balances held in foreign currencies shown separately on statement of cash flows? [SFAS 95, par. 25 (AC C25.123)]	_____	_____	_____
10. Is the change in cash and cash equivalents shown? [SFAS 95, pars. 7 and 26 (AC C25.105 and .124)]	_____	_____	_____
11. Is the policy for defining cash equivalent disclosed? [SFAS 95, par. 10 (AC C25.108)]	_____	_____	_____

Practice Tip

Any change in policy for determining which items are treated as cash equivalents is a change in accounting principle.

12. Are noncash investing and financing activities, such as converting debt to equity, summarized in a separate schedule? [SFAS 95, par. 32 (AC C25.134)]	_____	_____	_____
13. If the direct method is used, is a separate schedule provided to reconcile net income to net cash flow from operating activities? [SFAS 95, par. 30 (AC C25.128)]	_____	_____	_____
14. If the indirect method is used:			
a. Is the same amount for net cash flow from operating activities reported indirectly, by adjusting net income to reconcile it to net cash flow from operating activities?	_____	_____	_____
b. Is the reconciliation of net income to net cash flows from operating activities reported, either within the statement of cash flows or provided in a separate schedule (the reconciliation should separately report all major reconciling items pertaining to operating activities)? [SFAS 95, pars. 29 and 30 (AC C25.128)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
15. If the indirect method is used, are the amounts of interest paid (net of amounts capitalized) and income taxes paid during the period(s) disclosed? [SFAS 95, par. 29 (AC C25.127)]	_____	_____	_____
16. Are the following classes of operating cash receipts and payments for life insurance companies using the direct method, at a minimum, separately disclosed:			
a. Cash collected from customers, including lessees, licensees, and the like?	_____	_____	_____
b. Interest and dividends received?	_____	_____	_____
c. Other operating cash receipts, if any?	_____	_____	_____
d. Cash paid to employees and other suppliers of goods or services, including suppliers of insurance, advertising, and the like?	_____	_____	_____
e. Interest paid?	_____	_____	_____
f. Income taxes paid and, separately, the cash that would have been paid for income taxes if increases in the value of equity instruments issued under share-based payment arrangements that are not recognizable as a cost of goods or services for accounting purposes also had not been deductible in determining taxable income (paragraph 19(e) of SFAS 95)?	_____	_____	_____
g. Other operating cash payments, if any? [SFAS 95, par. 27, as amended by SFAS 123(R) (AC C25.125)]	_____	_____	_____

Notes: The provisions of SFAS 123(R) are effective (a) for public entities that do not file as small business issuers—as of the beginning of the first interim or annual reporting period that begins after June 15, 2005; (b) for public entities that file as small business issuers—as of the beginning of the first interim or annual reporting period that begins after December 15, 2005; and (c) for nonpublic entities—as of the beginning of the first annual reporting period that begins after December 15, 2005.

Questions 17 and 18 apply only if the provisions of SFAS 123(R) are *not* effective.

17. If the indirect method is used, is the reduction of income taxes paid as a result of a deduction triggered by employee exercise of stock options classified as an operating cash flow? [EITF 00-15]	_____	_____	_____
18. If a material income tax benefit realized as a result of the deduction triggered by employee exercise of stock options is not presented as a separate line item in the statement of cash flows or in the statement of changes in stockholders' equity, is disclosure made of the material income tax benefit realized? [EITF 00-15]	_____	_____	_____
19. If an other-than-insignificant financing element is present at inception, other than a financing element inherently included in an at-the-market derivative instrument with no prepayments (that is, the forward points in an at-the-money forward contract), does the borrower report all cash inflows and outflows associated with that derivative instrument in a manner consistent with financing activities as described in paragraphs 18–20 of SFAS 95? [SFAS 133, par. 45A, as amended by SFAS 149, par. 18 (AC D50.142A)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
General			
A. Titles and References			
1. For a full presentation in conformity with generally accepted accounting principles (GAAP), are the following financial statements presented:			
a. Balance sheet?	_____	_____	_____
b. Statement of income (operations)?	_____	_____	_____
c. Statement of retained earnings or changes in shareholders' equity?	_____	_____	_____
d. Statement of cash flows?	_____	_____	_____
e. Description of accounting policies?	_____	_____	_____
f. Notes to the financial statements? [Generally Accepted]	_____	_____	_____
2. Are the financial statements suitably titled? [Generally Accepted]	_____	_____	_____
3. Does each statement include a general reference indicating that the notes are an integral part of the financial statement presentation? [Generally Accepted]	_____	_____	_____
B. Disclosure of Accounting Policies			
1. Is a description of all significant accounting policies of the reporting company presented as an integral part of the financial statements? [APB 22, par. 8 (AC A10.102)]	_____	_____	_____
2. Do the summary or notes identify and describe all significant accounting principles followed by the reporting entity and the methods of applying those principles that materially affect the determination of financial position, cash flows, and results of operations? [APB 22, par. 12 (AC A10.105)]	_____	_____	_____
3. Do those principles and methods identified in Question 2 include all instances in which there:			
a. Is a selection from existing acceptable alternatives?	_____	_____	_____
b. Are principles and methods peculiar to the industry in which the reporting entity operates, even if such principles and methods are predominantly followed in that industry?	_____	_____	_____
c. Are unusual or innovative applications of GAAP? [APB 22, par. 12 (AC A10.105)]	_____	_____	_____
4. Does disclosure of significant accounting policies include appropriate reference to details presented elsewhere (in the statements and notes thereto) so duplication of details is avoided? [APB 22, par. 14 (AC A10.107)]	_____	_____	_____
5. Is the company's accounting policy with respect to vendor's sales incentive arrangements disclosed? [EITF 03-10]	_____	_____	_____
6. Do mutual life insurance companies disclose the principles and methods used to account for marketable securities and insurance activities? [FASBI 40, par. 5 (AC A10.102A)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. If (a) state prescribed statutory accounting practices differ from NAIC statutory accounting practices or (b) permitted state statutory accounting practices differ from either state prescribed statutory accounting practices or NAIC statutory accounting practices, is the following information about the use of prescribed or permitted statutory accounting practices (individually or in the aggregate) results in reported statutory surplus or risk-based capital that is significantly different from the statutory surplus or risk-based capital that would have been reported had NAIC statutory accounting practices been followed, disclosed:			
a. If an insurance enterprise's risk-based capital would have triggered a regulatory event had it not used a permitted practice, is that fact disclosed in the financial statements?	_____	_____	_____
b. A description of the prescribed or permitted statutory accounting practice by insurance enterprises at the date each financial statement is presented?	_____	_____	_____
c. The related monetary effect on statutory surplus of using an accounting practice that differs from either state prescribed statutory accounting practices or NAIC statutory accounting practices by insurance enterprises at the date each financial statement is presented? ⁴ [SOP 94-5, par. 8, as amended by SOP 01-5]	_____	_____	_____
8. Are managements' policies and methodologies for estimating a liability for unpaid claims and claim adjustment expenses for difficult-to-estimate liabilities such as for claims for toxic waste cleanup, asbestos-related illnesses, or other environmental remediation exposures disclosed? [SOP 94-5, par. 11, as amended by SOP 01-5]	_____	_____	_____
9. Do the notes to the accompanying insurance enterprise's statutory financial statements contain a summary of significant accounting policies that discuss the following:			
a. Statutory accounting practices?	_____	_____	_____
b. Describe how this basis differs from GAAP? [SOP 95-5, par. 20]	_____	_____	_____
10. For general-use statutory financial statements, are the effects of the differences between statutory accounting practices and GAAP, if quantified, disclosed? [SOP 95-5, par. 20]	_____	_____	_____
11. Has the insurance company disclosed its accounting policy for internal replacements, including whether or not the company has availed itself of the alternative application guidance in paragraphs 18 and 19 of SOP 05-1, and if so, for which types of internal replacement transactions? [SOP 05-1, par. 28]	_____	_____	_____

⁴ Disclosures in this question should be applied by a U.S. insurance enterprise, a U.S. enterprise with a U.S. insurance subsidiary, or a foreign enterprise with a U.S. insurance subsidiary, if the enterprise prepares U.S. generally accepted accounting principles (GAAP) financial statements. If a foreign insurance enterprise that does not have a U.S. insurance subsidiary prepares U.S. GAAP financial statements or is included in its parent's consolidated U.S. GAAP financial statements, the notes to the financial statements should disclose permitted regulatory accounting practices that significantly differ from the prescribed regulatory accounting practices of its respective regulatory authority and their monetary effects.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
12. Has the insurance company disclosed its accounting policy for sales inducements, including:			
a. The nature of the costs deferred?	_____	_____	_____
b. The method of amortizing those costs? [SOP 03-1, par. 39; AAG, App. C, par. 9]	_____	_____	_____
13. For sales inducements, are the amount of costs deferred and amortized for each of the periods presented and the unamortized balance as of each balance sheet date disclosed? [SOP 03-1, par. 39; AAG, App. C, par. 9]	_____	_____	_____
14. Has the insurance company disclosed its accounting policy for separate accounts, including:			
a. The general nature of the contracts reporting in separate accounts, including the extent and terms of minimum guarantees?	_____	_____	_____
b. The basis of presentation for separate account assets and liabilities and related separate account activity? [SOP 03-1, par. 38; AAG, App. C, par. 5]	_____	_____	_____
15. Has the insurance company included a description of the liability valuation methods and assumptions used in estimating the liabilities for additional insurance benefits and minimum guarantees? [SOP 03-1, par. 38; AAG, App. C, par. 13]	_____	_____	_____
16. If consolidated statements are presented; is the consolidation policy disclosed? [ARB 51, par. 5 (AC C51.108); APB 22, par. 13 (AC A10.106)]	_____	_____	_____
C. Comparative Financial Statements			
1. Are comparative statements considered? [ARB 43, Ch. 2A, pars. 1 and 2 (AC F43.101 and .102)]	_____	_____	_____
2. Are the notes and other disclosures included in the financial statements of the preceding year(s) presented, repeated, or at least referred to, to the extent that they continue to be of significance? [ARB 43, Ch. 2A, par. 2 (AC F43.102)]	_____	_____	_____
3. If changes occurred in the manner of or basis for presenting corresponding items for two or more periods, are appropriate explanations of the changes disclosed? [ARB 43, Ch. 2A, par. 3, as amended by APB 20 (AC F43.103)]	_____	_____	_____
D. Accounting Changes			
<p><i>Note:</i> APB 20, <i>Accounting Changes</i>, has been superseded by SFAS 154, <i>Accounting Changes and Error Corrections</i>. If SFAS 154 has been adopted, the questions below that are based on APB 20 do not apply and readers should refer to section D1.</p>			
1. For all changes in accounting principles, are the following disclosures made in the year of change:			
a. Nature of the change?	_____	_____	_____
b. Justification for the change?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Effect on income before extraordinary items and on net income?	_____	_____	_____
d. Effect on related per-share amounts? [APB 20, pars. 17 and 19 (AC A06.113 and .115)]	_____	_____	_____
2. For all changes in accounting principles, except those concerning a change in entity and those recognized in paragraphs 27–30 of APB 20:			
a. Are financial statements for prior periods, included for comparative purposes, presented as previously reported?	_____	_____	_____
b. Is the effect of adopting the new accounting principle on income before extraordinary items and on net income and the related per-share amounts disclosed in the period of the change?	_____	_____	_____
c. Are income before extraordinary items and net income computed on a pro forma basis shown on the face of the income statements for all periods presented as if the newly adopted accounting principle had been applied during all periods affected? [APB 20, pars. 19–21 and 25 (AC A06.115–.117 and .121)]	_____	_____	_____
3. If appropriate, is the cumulative effect of a change in accounting principle shown separately between the captions “extraordinary items” and “net income”? [APB 20, pars. 19b, 20, and 21 (AC A06.114–.122 and E09.104)]	_____	_____	_____
4. Is the reason for not reporting the cumulative effect of the change and not disclosing the pro forma amounts for prior years disclosed if it is impossible to determine such effects? [APB 20, pars. 25 and 26 (AC A06.121 and .122)]	_____	_____	_____
5. For changes in accounting principles that are required to be accounted for by applying retroactively the new method in restatements of prior periods, is the effect of the change on income before extraordinary items, net income, and related per-share amounts disclosed? [APB 20, par. 28 (AC A10.124)]	_____	_____	_____
6. For a change in an accounting estimate affecting several future periods, are the following disclosures made in the year of change:			
a. Effect on income before extraordinary items and on net income?	_____	_____	_____
b. Effect on related per-share amounts? [APB 20, par. 33 (AC A06.132)]	_____	_____	_____
7. For correction of an error, is the nature of the error disclosed in the period in which the error was discovered and corrected:			
a. Nature of the error in previously issued financial statements?	_____	_____	_____
b. Effect of its correction on income before extraordinary items, net income, and related per-share amounts, if applicable? [APB 20, par. 37 (AC A35.105)]	_____	_____	_____
8. If any accounting change has no material effect in the period of change but is reasonably certain to materially affect later periods, is the change disclosed in the financial statements of the period of the change? [APB 20, par. 38 (AC A06.133)]	_____	_____	_____
9. For an accounting change that is in effect a change in reporting entity, are the financial statements of all prior periods restated in order to			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
show financial information for the new reporting entity for all periods and are the following disclosures made for all periods presented:			
a. The nature of the change?	_____	_____	_____
b. The reason for the change?	_____	_____	_____
c. The effect of the change on income before extraordinary items, net income, and related per-share amounts? [APB 20, pars. 34 and 35 (AC A35.112-.113)]	_____	_____	_____
10. If interim financial reports contain an adjustment related to prior interim periods of the current fiscal year, do disclosures include:			
a. The effect on income from continuing operations, net income, and related per-share amounts for each prior interim period of the current fiscal year?	_____	_____	_____
b. Income from continuing operations, net income, and related per-share amounts for each prior interim period restated? [SFAS 16, par. 15 (AC A35.111)]	_____	_____	_____
11. If the accounting practice for internal replacements, other than replacements by a universal life-type contract, is changed and the effect is material, does the life insurance entity reflect the accounting change as well as disclose the change in their financial statements as a change in accounting principle, as described in SFAS 154, <i>Accounting Changes and Error Corrections</i> —a replacement of APB Opinion No. 20 and FASB Statement No. 3? [AAG, par. 10.55]	_____	_____	_____
12. Is the effect of adopting the consensus in EITF 03-16, <i>Accounting for Investments in Limited Liability Companies</i> , reported as the cumulative effect of a change in accounting principle pursuant to the guidance in SFAS 3 and APB 20? If the determination of the cumulative effect of retroactive application is impracticable, is the cumulative effect determined as the difference between the investor's carrying amount of the investment and the investor's share of the net assets of the LLC as of the date of initial application of the consensus? [EITF 03-16]	_____	_____	_____

D1. Accounting Changes and Error Corrections

If SFAS 154, Accounting Changes and Error Corrections, has been adopted, the following section should be completed.

Note: SFAS 154, *Accounting Changes and Error Corrections*, is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after June 1, 2005. SFAS 154 does not change the transition provisions of any existing accounting pronouncements, including those that are in a transition phase as of the effective date of the Statement.

Change in Accounting Principle

1. Is the following disclosed in the fiscal period in which a change in accounting principle is made:
 - a. The nature of and reason for the change in accounting principle, including an explanation of why the newly adopted accounting principle is preferable?

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. The method of applying the change, and:			
(1) A description of the prior-period information that has been retrospectively adjusted, if any?	_____	_____	_____
(2) The effect of the change on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), any other affected financial statement line item, and any affected per-share amounts for the current period and any prior periods retrospectively adjusted? Presentation of the effect on financial statement subtotals and totals other than income from continuing operations and net income (or other appropriate captions of changes in the applicable net assets or performance indicator) is not required.	_____	_____	_____
(3) The cumulative effect of the change on retained earnings or other components of equity or net assets in the statement of financial position as of the beginning of the earliest period presented?	_____	_____	_____
(4) If retrospective application to all prior periods (paragraph 7 of SFAS 154) is impracticable, disclosure of the reasons therefore, and a description of the alternative method used to report the change (paragraphs 8 and 9 of SFAS 154)?	_____	_____	_____
c. If indirect effects of a change in accounting principle are recognized:			
(1) A description of the indirect effects of a change in accounting principle, including the amounts that have been recognized in the current period, and the related per-share amounts, if applicable?	_____	_____	_____
(2) Unless impracticable, the amount of the total recognized indirect effects of the accounting change and the related per-share amounts, if applicable, that are attributable to each prior period presented? [SFAS 154, par. 17 (AC A07.117)]	_____	_____	_____
<hr/>			
Note: Financial statements of subsequent periods need not repeat the disclosures required by this paragraph. [SFAS 154, par. 17 (AC A07.117)]			
<hr/>			
2. If a change in accounting principle has no material effect in the period of change but is reasonably certain to have a material effect in later periods, are the disclosures required by Question 1a above provided whenever the financial statements of the period of change are presented? [SFAS 154, par. 17 (AC A07.117)]	_____	_____	_____
3. In the fiscal year in which a new accounting principle is adopted, does financial information reported for interim periods after the date of adoption include disclosure of the effect of the change on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), and related per-share amounts, if applicable, for those post-change interim periods? [SFAS 154, par. 18 (AC A07.118)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>4. If a public company that regularly reports interim information makes an accounting change during the fourth quarter of its fiscal year and does not report the data specified by paragraph 30 of APB 28, in a separate fourth-quarter report or in its annual report, does the entity include disclosure of the effects of the accounting change on interim-period results, as required by paragraph 17 of SFAS 154, in a note to the annual financial statements for the fiscal year in which the change is made?</p> <p>[SFAS 154, par. 16 (AC A07.116)]</p>	_____	_____	_____
<hr/> <p>Note: EITF Issue No. 06-2, <i>Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43</i>. The task force reached a consensus that the Issue should be effective for fiscal years beginning after December 15, 2006. An entity should apply the consensus reached in the Issue through either (a) a change in accounting principle through a cumulative effect adjustment to retained earnings or to other components of equity or net assets in the statement of financial position at the beginning of the year of adoption or (b) a change in accounting principle through retrospective application to all prior periods. Earlier adoption of this guidance is permitted as of the beginning of an entity's fiscal year provided that the entity has not yet issued financial statements, including interim financial statements, for any period of that fiscal year.</p> <hr/>			
<p>5. If an entity chooses to apply the consensus in EITF 06-2 as a change in accounting principle through a cumulative-effect adjustment to retained earnings, does the entity disclose the cumulative effect of the change on retained earnings or other components of equity or net assets in the statement of financial position?</p> <p>[EITF 06-2, par. 7]</p>	_____	_____	_____
<p>6. If an entity chooses to apply the consensus in EITF 06-2 as a change in accounting principle through retrospective application to all prior periods, does the entity include the recognition of:</p> <p>a. The cumulative effect of the change to the new accounting principle on periods prior to those presented reflected in the carrying amounts of assets and liabilities as of the beginning of the first period presented?</p> <p>b. The cumulative effect of the change on retained earnings or on other components of equity or net assets in the statement of financial position?</p> <p>c. Adjustments to financial statements for each individual prior period presented to reflect the period-specific effects of applying the new accounting principle?</p> <p>[EITF 06-2, par. 8]</p>	_____	_____	_____
<p>7. If an entity chooses to apply the consensus reached in this EITF 06-2 as a change in accounting principle through retrospective application to all prior periods, are the following disclosed:</p> <p>a. A description of the prior-period information that has been retrospectively adjusted?</p> <p>b. The effect of the change on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), any other affected</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
financial statement line item, and any affected per-share amounts for any prior periods retrospectively adjusted?	_____	_____	_____
c. The cumulative effect of the change on retained earnings or on other components of equity or net assets in the statement of financial position as of the beginning of the earliest period presented? [EITF 06-2, par. 9]	_____	_____	_____

Change in Accounting Estimate

8. Is the effect on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), and any related per-share amounts of the current period disclosed for a change in estimate that affects several future periods, such as a change in service lives of depreciable assets? Disclosure of those effects is not necessary for estimates made each period in the ordinary course of accounting for items such as uncollectible accounts or inventory obsolescence; however, if the effect of a change in the estimate is material, is it disclosed?
[SFAS 154, par. 22 (AC A07.122)]
9. When an entity effects a change in estimate by changing an accounting principle, are the disclosures required by Questions 1–3 above made?
[SFAS 154, par. 22 (AC A07.122)]
10. If a change in estimate does not have a material effect in the period of change but is reasonably certain to have a material effect in later periods, is a description of that change in estimate disclosed whenever the financial statements of the period of change are presented?
[SFAS 154, par. 22 (AC A07.122)]

<u>Yes</u>	<u>No</u>	<u>N/A</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Change in the Reporting Entity

11. When there has been a change in the reporting entity, does the financial statements of the period of the change describe the nature of the change and the reason for it?
- a. Is the effect of the change on income before extraordinary items, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), other comprehensive income, and any related per-share amounts disclosed for all periods presented?
[SFAS 154, par. 24 (AC A07.124)]

_____	_____	_____
_____	_____	_____

Note: Financial statements of subsequent periods need not repeat the disclosures required by this paragraph.
[SFAS 154, par. 24 (AC A07.124)]

12. If a change in reporting entity does not have a material effect in the period of change but is reasonably certain to have a material effect in later periods, is the nature of and reason for the change disclosed whenever the financial statements of the period of change are presented?
[SFAS 154, par. 24 (AC A07.124)]

_____	_____	_____
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Note: Paragraphs 51–58 of SFAS 141, <i>Business Combinations</i> , describe the manner of reporting and the disclosures required for a business combination. [SFAS 154, par. 24 (AC A07.124)]			
Correction of an Error in Previously Issued Financial Statements			
13. When financial statements are restated to correct an error, does the entity disclose that its previously issued financial statements have been restated, along with a description of the nature of the error? Does the entity also disclose the following:	_____	_____	_____
a. The effect of the correction on each financial statement line item and any per-share amounts affected for each prior period presented?	_____	_____	_____
b. The cumulative effect of the change on retained earnings or other appropriate components of equity or net assets in the statement of financial position, as of the beginning of the earliest period presented? [SFAS 154, par. 26 (AC A07.126)]	_____	_____	_____
14. In addition, does the entity make the disclosures of prior-period adjustments and restatements required by paragraph 26 of APB 9, <i>Reporting the Results of Operations</i> ?	_____	_____	_____
a. The effects, in total and by class, of the correction on change in net assets for each of the periods presented?	_____	_____	_____
b. For single period financial statements, the effects, in total and by class, of the correction on change in net assets of the preceding year? [APB 9, par. 26 (AC A35.107); SFAS 154, par. 26 (AC A07.126)]	_____	_____	_____
Note: Financial statements of subsequent periods need not repeat the disclosures required by this paragraph. An entity that issues interim financial statements shall provide the required disclosures in the financial statements of both the interim period of the change and the annual period of the change. [SFAS 154, par. 26 (AC A07.126)]			
Note: EITF 05-7, <i>Accounting for Modifications to Conversion Options Embedded in Debt Instruments and Related Issues</i> , should be applied to future modifications of debt instruments beginning in the first interim or annual reporting period beginning after December 15, 2005. Early application of this guidance is permitted in periods for which financial statements have not yet been issued. At the September 28, 2005 meeting, the Board ratified the consensus reached by the Task Force in this Issue.			
15. If the scope of EITF 05-7 applies, are the disclosures required by SFAS 154 made excluding those disclosures that require the effects of retroactive application? [EITF 05-7, par. 8]	_____	_____	_____
Note: EITF Issue No. 05-8, <i>Income Tax Consequences of Issuing Convertible Debt with a Beneficial Conversion Feature</i> , should be applied to financial statements beginning in the first interim or annual reporting period (continued)			

beginning after December 15, 2005. This Issue should be applied by retrospective application pursuant to Statement 154 to all instruments with a beneficial conversion feature accounted for under Issue 00-27.

16. For debt instruments that were converted (or extinguished) in prior periods that fall within the scope of EITF 00-27, but are still presented in the financial statements, has the entity retrospectively applied SFAS 154 and recorded SFAS 109 temporary differences as adjustments to paid-in-capital?
[EITF 05-8, par 6]

Yes No N/A

Investments in Real Estate Ventures

Note: For general partners of all new partnerships formed and for existing partnerships for which the partnership agreements are modified, the guidance in FSP SOP 78-9-1 is effective after June 29, 2005. For general partners in all other partnerships, the guidance in FSP 78-9 is effective no later than the beginning of first reporting period in fiscal years beginning after December 15, 2005, and the application of either Transition Method A or Transition Method B, described in FSP SOP 78-9-1 is permitted.

17. Upon the application of *Transition Method A* of FSP SOP 78-9-1, does the entity disclose in the year of adoption the effect on the opening balance sheet of adopting the new accounting principle?
[FSP SOP 78-9-1, par. 8]
18. Upon the application of Transition Method B of FSP SOP 78-9-1, if the entity applies the guidance in FSP SOP 78-9-1 through retrospective application, does it apply the guidance in paragraphs 7-8 and 10 of SFAS 154, *Accounting Changes and Error Corrections*, and the disclosures required by paragraph 17 of SFAS 154?
[FSP SOP 78-9-1, par. 10]

E. Risks and Uncertainties

Notes: The guidance in FSP SOP 94-6-1, *Terms of Loan Products That May Give Rise to a Concentration of Credit Risk*, is effective for interim and annual periods ending after December 19, 2005. An entity shall provide the disclosures required by SFAS 107 for products that are determined to represent a concentration of credit risk in accordance with the guidance in Question 1 of the FSP for all periods presented.
[FSP SOP 94-6-1, par. 17]

Question 2 of the FSP references only existing effective literature; therefore, no effective date or transition guidance is required.
[FSP SOP 94-6-1, par. 18]

The type and extent of information provided shall be determined by whether the entity is the originator, holder, investor, guarantor, or servicer and also by the significance of the loan product(s) to the reporting entity.
[FSP SOP 94-6-1, par. 9 (Question 2)]

1. Is a description of the major products and services the entity sells or provides and the principal markets, including the location of those markets, disclosed?
[SOP 94-6, par. 10; FSP SOP 94-6-1, par. 10]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. If the company operates in more than one business, are the relative importance of its operations in each business and the basis for the determination (for example, assets, revenues, or earnings) disclosed? [SOP 94-6, par. 10; FSP SOP 94-6-1, par. 10]	_____	_____	_____
3. Is an explanation that the preparation of financial statements in conformity with GAAP requires the use of management's estimates included in the financial statements? [SOP 94-6, par. 11; FSP SOP 94-6-1, par. 10]	_____	_____	_____
4. Is the disclosure regarding an estimate made when known information available prior to the issuance of the financial statements indicates that both of the following criteria have been met:			
a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events?	_____	_____	_____
b. The effect of the change will be material? [SOP 94-6, par. 13; FSP SOP 94-6-1, par. 10]	_____	_____	_____
5. Does the disclosure in Question 4 above, indicate the nature of the uncertainty and include an indication that it is reasonably possible that a change in estimate will occur in the near term? ⁵ [SOP 94-6, par. 14; FSP SOP 94-6-1, par. 10]	_____	_____	_____
6. If the estimate in Question 4 above involves a loss contingency covered by SFAS 5, do disclosures include an estimate of the possible loss or range of loss, or state that such an estimate cannot be made? ⁶ [SOP 94-6, pars. 13 and 14; FSP SOP 94-6-1, pars. 10 and 11]	_____	_____	_____
7. Is disclosure of the concentrations described in paragraph 22 of SOP 94-6 made if, based on information known to management before the financial statements are issued, the criteria in paragraph 21 of SOP 94-6 are met? [SOP 94-6, pars. 21 and 22; FSP SOP 94-6-1, pars. 10 and 11]	_____	_____	_____
8. For those concentrations of labor subject to collective bargaining agreements and concentrations of operations located outside of the company's home country that meet the criteria of paragraph 21 of SOP 94-6, are the following disclosed:			
a. The percentage of labor force covered by a collective agreement and the percentage of the labor force covered by a collective bargaining agreement that will expire in one year?	_____	_____	_____
b. The carrying amounts of net assets and the geographic areas in which they are located for operations located outside the company's home country? [SOP 94-6, par. 24; FSP SOP 94-6-1, pars. 10 and 11]	_____	_____	_____
9. Have the optional disclosures in paragraphs 14 and 15 of SOP 94-6 been considered? [SOP 94-6, pars. 14 and 15]	_____	_____	_____

⁵ If risk reduction techniques are used to mitigate losses or the uncertainty that may result from certain events, these disclosures are encouraged but not required.

⁶ See footnote 5.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
10. Are major categories of loans, including unusual risk concentrations disclosed, such as:			
a. Commercial, financial, and agricultural?	_____	_____	_____
b. Real estate construction?	_____	_____	_____
c. Real estate mortgage?	_____	_____	_____
d. Installment loans to individuals?	_____	_____	_____
e. Lease financing?	_____	_____	_____
f. Foreign?	_____	_____	_____
g. Loans in process?	_____	_____	_____
h. Other? [FSP SOP 94-6-1, par. 11]	_____	_____	_____
11. Are major concentrations of loan products whose contractual features may increase credit risk disclosed, such as:			
a. Negative amortization?	_____	_____	_____
b. Loans with a high loan-to-value ratio?	_____	_____	_____
c. Multiple loans on the same collateral that, when combined, result in a high loan-to-value ratio?	_____	_____	_____
d. Option ARMS or similar products that may expose the borrower to future increases in repayments?	_____	_____	_____
e. An initial interest rate that is below the market interest rate for the initial period of a loan term and that may increase significantly when that period ends?	_____	_____	_____
f. Interest only loans? [FSP SOP 94-6-1, pars. 2 and 7; SFAS 107, par. 15A]	_____	_____	_____
12. Are foreign loans, foreign nonaccrual loans, and foreign operations, if any of these foreign activities exceed a material percentage of activities, disclosed? [FSP SOP 94-6-1, par. 7; SFAS 107, par. 15A]	_____	_____	_____

F. Contingencies and Commitments (See also section "Z. Guarantees")

1. Is the nature and amount of significant accrued loss contingencies not related to life insurance disclosed as necessary to keep the financial statements from being misleading? [SFAS 5, par. 9 (AC C59.108)]	_____	_____	_____
2. For loss contingencies not accrued, do disclosures indicate:			
a. Nature of the contingency?	_____	_____	_____
b. Estimate of possible loss or range of loss, or a statement that such estimate cannot be made? [SFAS 5, par. 10 (AC C59.109)]	_____	_____	_____
3. Is the nature and amount of guarantees disclosed (e.g., obligations under standby letters of credit, guarantees to repurchase loans that are sold)? [SFAS 5, par. 12 (AC C59.113); FASBI 45, par. 13 (AC G80.112)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Are gain contingencies adequately disclosed with care to avoid any misleading implications about likelihood of realization? [SFAS 5, par. 17 (AC C59.118)]	_____	_____	_____
5. Is there adequate disclosure of commitments, such as those for capital expenditures, for purchase or sale of securities under financial futures contracts, and for funding of loans and unused letters of credit? [SFAS 5, pars. 18 and 19 (AC C59.120)]	_____	_____	_____
6. If the company as guarantor "lends" its creditworthiness to another party (borrower) for a fee, is the guarantee disclosed in a note, if material? [EITF 85-20]	_____	_____	_____
7. If exposure to loss exists in excess of the amount accrued for a loss contingency, do disclosures include the excess amount or state that no estimate is possible? [SFAS 5, par. 10 (AC C59.109)]	_____	_____	_____
8. When, after considering management's plans, the auditor concludes there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, is adequate disclosure of the situation made in the financial statements? [SAS 59, par. 10 (AU 341.10); AAG, par. 5.137c]	_____	_____	_____
9. Is a description of contingencies resulting from the September 11 events that have not yet been recognized in the financial statements but that are reasonably expected to impact the entity's financial statements in the near term disclosed in the notes to the financial statements in all periods affected by the September 11, 2001 attacks? [EITF 01-10]	_____	_____	_____
<hr/> Note: SFAS 5 states that it does not discourage disclosure of uninsured risks in appropriate circumstances. AcSEC believes that, though operational criteria have not been developed for such disclosures as stated in SFAS 5, they should be encouraged rather than simply not discouraged. <hr/>			
10. For publicly held entities and entities with public accountability, such as governments, are circumstances disclosed in which:			
a. They are exposed to risks of future material loss related to:			
(1) Torts?	_____	_____	_____
(2) Theft of, damage to, expropriation of, or destruction of assets?	_____	_____	_____
(3) Business interruption?	_____	_____	_____
(4) Errors or omissions?	_____	_____	_____
(5) Injuries to employees? or	_____	_____	_____
(6) Acts of God? and	_____	_____	_____
b. Those risks have not been transferred to unrelated third parties through insurance? (<i>Encouraged, but not required.</i>) [EITF 03-8]	_____	_____	_____
11. Does each reporting entity decide the matters to be disclosed, depending on its circumstances? The following are some of the matters reporting entities may consider for disclosure:	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The actual and potential effects of losses from such risks on the entity's historical or planned operations, including exposure to losses from claims, curtailment of research and development or manufacturing, or contraction or cessation of other activities, such as discontinuance of a product line?	_____	_____	_____
b. Comparison of current insurance coverage by major categories of risk to coverage in prior periods, without necessarily quantifying such coverage or change in coverage?	_____	_____	_____
c. Recent claims experience?	_____	_____	_____
d. A description of the reporting entity's risk management programs? (<i>Encouraged, but not required.</i>) [EITF 03-8]	_____	_____	_____

Note: Disclosure of this kind is experimental. Its location in a financial report, therefore, depends on the judgment of those preparing the financial report.

G. Environmental Remediation Liabilities

Note: SOP 96-1, *Environmental Remediation Liabilities*, does not provide guidance on recognizing liabilities of insurance companies for unpaid claims.

1. Is there disclosure of the following accounting policies:
 - a. Whether accruals for environmental remediation liabilities are measured on a discounted basis? _____
 - b. The policy concerning the timing of recognition of recoveries? (*Encouraged, but not required.*)
[SOP 96-1 (Ch. 7, pars. 11 and 12)] _____
2. Do the financial statements disclose the event, situation, or set of circumstances that triggered recognition of loss contingencies that arose out of the reporting entity's environmental remediation-related obligations? (*Encouraged, but not required.*)
[SOP 96-1 (Ch. 7, par. 12)] _____

Recognized Losses and Recoveries of Losses, and Reasonably Possible Loss Exposures

3. With respect to recorded accruals for environmental remediation loss contingencies and assets for third-party recoveries related to environmental remediation obligations, are the following disclosed:
 - a. The nature of the accruals, if such disclosure is necessary for the financial statements not to be misleading, and, in situations where disclosure of the nature of the accruals is necessary, the total amount accrued for the remediation obligation, if such disclosure is also necessary for the financial statements not to be misleading? _____
 - b. If any portion of the accrued obligation is discounted, the undiscounted amount of the obligation and the discount rate used in the present-value determinations? _____
 - c. If the criteria of SOP 94-6 (it is at least reasonably possible that an estimate of the effect on the financial statements of a matter that existed at the balance sheet date will change in the near term and

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
the effect of the change would be material to financial statements) are met with respect to the accrued obligation or to any recognized asset for third-party recoveries, an indication that it is at least reasonably possible that a change in the estimate of the obligation or of the asset will occur in the near term? [SOP 96-1 (Ch. 7, par. 20)]	_____	_____	_____
4. With respect to reasonably possible loss contingencies, including reasonably possible loss exposures in excess of the amount accrued, are the following disclosed:			
a. The nature of the reasonably possible loss contingency, that is, a description of the reasonably possible remediation obligation, and an estimate of the possible loss exposure or the fact that such an estimate cannot be made?	_____	_____	_____
b. If the criteria of SOP 94-6 are met with respect to estimated loss (or gain) contingencies, an indication that it is at least reasonably possible that a change in the estimate will occur in the near term?	_____	_____	_____
c. The estimated time frame of disbursements for recorded amounts if expenditures are expected to continue over the long term? (<i>Encouraged, but not required.</i>)	_____	_____	_____
d. The estimated time frame for realization of recognized probable recoveries, if realization is not expected in the near term? (<i>Encouraged, but not required.</i>)	_____	_____	_____
e. If the criteria of SOP 94-6 are met with respect to the accrued obligation, to any recognized asset for third-party recoveries, or to reasonably possible loss exposures or disclosed gain contingencies, the factors that cause the estimate to be sensitive to change? (<i>Encouraged, but not required.</i>)	_____	_____	_____
f. If an estimate of the probable or reasonably possible loss or range of loss cannot be made, the reasons why it cannot be made? (<i>Encouraged, but not required.</i>)	_____	_____	_____
g. If information about the reasonably possible loss or the recognized and additional reasonably possible loss for an environmental remediation obligation related to an individual site is relevant to an understanding of the financial position, cash flows, or results of operations of the entity, the following with respect to the site: (<i>Encouraged, but not required.</i>)			
(1) The total amount accrued for the site?	_____	_____	_____
(2) The nature of any reasonably possible loss contingency or additional loss, and an estimate of the possible loss or the fact that an estimate cannot be made and the reasons why it cannot be made?	_____	_____	_____
(3) Whether other potentially responsible parties are involved and the entity's estimated share of the obligation?	_____	_____	_____
(4) The status of regulatory proceedings?	_____	_____	_____
(5) The estimated time frame for resolution of the contingency? [SOP 96-1 (Ch. 7, pars. 21 and 22)]	_____	_____	_____

Probable But Not Reasonably Estimable Losses

5. If the reporting entity's probable but not reasonably estimable environmental remediation obligations may be material, are the nature of the probable contingency (that is, a description of the remediation

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
obligation) and the fact that a reasonable estimate cannot currently be made disclosed? [SOP 96-1 (Ch. 7, par. 25)]	_____	_____	_____
6. Is the estimated time frame for resolution of the uncertainty as to the amount of the loss disclosed? (<i>Encouraged, but not required.</i>) [SOP 96-1 (Ch. 7, par. 25)]	_____	_____	_____

Environmental Remediation Costs Recognized Currently

- | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 7. Is the amount of environmental remediation costs recognized in the income statement disclosed in the following detail: (<i>Encouraged, but not required.</i>) | | | |
| a. The amount recognized for environmental remediation loss contingencies in each period? | _____ | _____ | _____ |
| b. The amount of any recovery from third parties that is credited to environmental remediation costs in each period? | _____ | _____ | _____ |
| c. The income statement caption in which environmental remediation costs and credits are included?
[SOP 96-1 (Ch. 7, par. 29)] | _____ | _____ | _____ |

Other Matters

- | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 8. Do the financial statements include a <i>contingency conclusion</i> that addresses the estimated total unrecognized exposure to environmental remediation and other loss contingencies? (<i>Optional.</i>)
[SOP 96-1 (Ch. 7, par. 30)] | _____ | _____ | _____ |
| 9. Is there a description of the general applicability and impact of environmental laws and regulations upon their business and how the existence of such laws and regulations may give rise to loss contingencies for future environmental remediation? (<i>Optional.</i>)
[SOP 96-1 (Ch. 7, par. 31)] | _____ | _____ | _____ |
| 10. Are applicable disclosures about environmental obligations (and recoveries) related to the attacks of September 11 disclosed in the notes to the financial statements in all periods affected by the September 11, 2001 attacks, pursuant to SOP 96-1?
[EITF 01-10] | _____ | _____ | _____ |

H. Related-Party Transactions and Economic Dependency

- | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. For related-party transactions, do disclosures include: | | | |
| a. The nature of the relationship(s) involved (e.g., parent, subsidiary, and affiliate companies, officers, stockholders, etc.)? | _____ | _____ | _____ |
| b. A description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which an income statement is presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements? | _____ | _____ | _____ |
| c. The dollar amounts of transactions for each of the periods for which an income statement is presented and the effects of any change in the method of establishing the terms from that used in the preceding period? | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement? [SFAS 57, par. 2 (AC R36.102)]	_____	_____	_____
2. Is the nature of a controlled relationship disclosed, even though there are no transactions between the enterprises, if the reporting company and one or more other enterprises are under common ownership or management control, and the existence of the control could result in operating results or financial position of the reporting company being significantly different from those that would have resulted if the company were autonomous? [SFAS 57, par. 4 (AC R36.104)]	_____	_____	_____
I. Employee Stock Ownership Plans			<input type="checkbox"/>
1. If an employer sponsors an employee stock ownership plan (ESOP), do the employer's disclosures include:			
a. A description of the plan, the basis for determining contributions, including the employee groups covered, and the nature and effect of significant matters affecting comparability of information for all periods presented?	_____	_____	_____
(1) For leveraged ESOPs and pension reversion ESOPs, does the description include the basis for releasing shares and how dividends on allocated and unallocated shares are used?	_____	_____	_____
b. A description of the accounting policies followed for ESOP transactions, including the method of measuring compensation, the classification of dividends on ESOP shares, and the treatment of ESOP shares for EPS computations?	_____	_____	_____
(1) If the entity has both old ESOP shares for which it does not adopt the guidance in SOP 93-6 and new ESOP shares for which the guidance in SOP 93-6 is required, are the accounting policies for both blocks of shares disclosed?	_____	_____	_____
c. The amount of compensation cost recognized during the period?	_____	_____	_____
d. The number of allocated shares, committed-to-be-released shares, and suspense shares held by the ESOP at the balance sheet date?	_____	_____	_____
(1) If the entity has both old ESOP shares for which it does not adopt the guidance in SOP 93-6 and new ESOP shares for which the guidance in SOP 93-6 is required, is the above disclosure made separately for both blocks of shares?	_____	_____	_____
e. The fair value of unearned ESOP shares at the balance sheet date for shares accounted for under SOP 93-6? ⁷	_____	_____	_____
f. The existence and nature of any repurchase obligation, including disclosure of the fair value of the shares allocated as of the balance sheet date, which are subject to a repurchase obligation? ⁸ [SOP 93-6, par. 53]	_____	_____	_____
2. Are all the items listed in Question 1 above disclosed even if the employer with an ESOP does not adopt SOP 93-6 for shares held by the ESOP on December 31, 1992? [SOP 93-6, par. 55]	_____	_____	_____

⁷ This disclosure need not be made for old ESOP shares for which the entity does not apply the guidance in SOP 93-6.

⁸ Employers may wish to disclose additional information about the obligation, particularly information about the timing of payments. [SOP 93-6, par. 95]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. For leveraged ESOPs and for nonleveraged ESOPs where the assets from the pension plan are used by the ESOP to purchase shares, when the employer reports the issuance of shares or the sale of treasury shares to the ESOP, is the charge to unearned ESOP shares presented as a separate item in the balance sheet as a contra-asset account? [SOP 93-6, pars. 13 and 46]	_____	_____	_____
4. If the employer sponsors an ESOP with an indirect loan, is the outside loan reported as a liability and the receivable from the ESOP not reported on the employer's balance sheet? [SOP 93-6, par. 26]	_____	_____	_____
5. If the employer sponsors an ESOP with an employer loan, is the ESOP's note payable and the employer's note receivable from the ESOP not reported in the employer's balance sheet? [SOP 93-6, par. 27]	_____	_____	_____
6. If SOP 76-3 is still being followed for ESOP shares purchased before December 31, 1992 and if the reporting entity has guaranteed the debt of an ESOP or made a commitment to make future contributions to the ESOP sufficient to meet debt service requirements, are the compensation element and the interest element of annual contributions reported separately, and are the interest rate and debt terms disclosed in the notes to the financial statements? [SOP 76-3, par. 10]	_____	_____	_____

J. Employers' Disclosures About Pensions and Other Postretirement Benefits*

In September 2006 the Financial Accounting Standards Board issued SFAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, which amends SFAS 87, 88, 106, and 132(R). If SFAS 158 has been adopted, Questions 1–19 below do not apply and readers should refer to section J1. The *Other Matters* Questions 20–24 still apply.

Reduced Disclosure Requirements for Nonpublic Entities

Note: A nonpublic entity is not required to disclose the information required by paragraphs 5(a)–(c), 5(m), and 5(o)–(r) of SFAS 132(R). See the related disclosure questions below.

1. For a nonpublic entity⁹ that sponsors one or more defined benefit pension plans or one or more other defined benefit postretirement plans, has the following information been disclosed, separately for pension plans and other postretirement benefit plans:

* EITF 03-4, *Determining the Classification and Benefit Attribution Method for a "Cash Balance" Pension Plan*, states that cash balance plans should be considered a defined benefit plan.

⁹ **Note:** The changes made in *italics* are from FSP FAS 126-1, *Applicability of Certain Disclosure and Interim Reporting Requirements for Obligors for Conduit Debt Securities*, which clarifies the definition of a public entity in certain accounting standards to include entities that are conduit bond obligors for conduit debt securities that are traded in a public market. The guidance should be applied prospectively in fiscal periods beginning after December 15, 2006. An entity may elect to retrospectively apply the guidance to all prior periods. If an entity issues interim financial statements, the FSP should be applied to the first interim period after the date of adoption. A nonpublic entity is any entity other than one (a) whose debt or equity securities trade in a public market either on a stock exchange (domestic or foreign) or in the over-the-counter market including securities quoted only locally or regionally, (b) that is a conduit bond obligor for conduit debt securities that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets), (c) that makes a filing with a regulatory agency in preparation for the sale of any class of debt or equity securities in a public market, or (d) that is controlled by an entity covered by (a), (b) or (c).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The benefit obligation, fair value of plan assets, and funded status of the plan? [SFAS 132(R), par. 8a (AC P16.150Aa and P40.169Aa)]	_____	_____	_____
b. Employer contributions, participant contributions, and benefits paid? [SFAS 132(R), par. 8b (AC P16.150Ab and P40.169Ab)]	_____	_____	_____
c. Information about plan assets:			
(1) For each major category of plan assets which shall include, but is not limited to, equity securities, real estate, and all other assets, the percentage of the fair value of total plan assets held as of the measurement date used for each statement of financial position presented? [SFAS 132(R), par. 8c(1) (AC P16.150Ac(1) and P40.169Ac)]	_____	_____	_____
(2) A narrative description of investment policies and strategies, including target allocation percentages or range of percentages for each major category of plan assets presented on a weighted-average basis as of the measurement date(s) of the latest statement of financial position presented, if applicable, and other factors that are pertinent to an understanding of the policies or strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations? [SFAS 132(R), par. 8c(2) (AC P16.150Ac(2) and P40.169Ac)]	_____	_____	_____
(3) A narrative description of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption, such as the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined? [SFAS 132(R), par. 8c(3) (AC P16.150Ac(3) and P40.169Ac)]	_____	_____	_____
Note: Disclosure of additional asset categories and additional information about specific assets within a category is encouraged if that information is expected to be useful in understanding the risks associated with each asset category and the overall expected long-term rate of return on assets. [SFAS 132(R), par. 8c(4) (AC P16.150Ac(4) and P40.169Ac(4))]			
d. For defined benefit pension plans, the accumulated benefit obligation? [SFAS 132(R), par. 8d (AC P16.150Ad)]	_____	_____	_____
e. The benefits (as of the date of the latest statement of financial position presented) expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter? (The expected benefits should be estimated based on the same assumptions used to measure the company's benefit obligation at the end of the year and should include benefits attributable to estimated future employee service.) [SFAS 132(R), par. 8e (AC P16.150Ae and P40.169Ad)]	_____	_____	_____
f. The employer's best estimate, as soon as it can be reasonably determined, of contributions expected to be paid to the plan during			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
the next fiscal year beginning after the date of the latest statement of financial position presented? (Estimated contributions may be presented in the aggregate combining (a) contributions required by funding regulations or laws, (b) discretionary contributions, and (c) noncash contributions.) [SFAS 132(R), par. 8f (AC P16.150Af and P40.169Ae)]	_____	_____	_____
g. The amounts recognized in the statements of financial position, including net pension and other postretirement benefit prepaid assets or accrued liabilities and any intangible asset and the amount of accumulated other comprehensive income recognized pursuant to paragraph 37 of SFAS 87, as amended? [SFAS 132(R), par. 8g (AC P16.150Ag and P40.169Af)]	_____	_____	_____
h. The amount of net periodic benefit cost recognized and the amount included within other comprehensive income arising from a change in the minimum pension liability recognized pursuant to paragraph 37 of SFAS 87, as amended? [SFAS 132(R), par. 8h (AC P16.150Ag)]	_____	_____	_____
i. On a weighted-average basis, the following assumptions used in the accounting for the plans: assumed discount rates, rates of compensation increase (for pay-related plans), and expected long-term rates of return on plan assets specifying, in a tabular format, the assumptions used to determine the benefit obligation and the assumptions used to determine net benefit cost? [SFAS 132(R), par. 8i (AC P16.150Ai and P40.169Ah)]	_____	_____	_____
j. The measurement date(s) used to determine pension and other postretirement benefit measurements for the pension plans and other postretirement benefit plans that make up at least the majority of plan assets and benefit obligations? [SFAS 132(R), par. 8j (AC P16.150Aj and P40.169Ai)]	_____	_____	_____
k. The assumed health care cost trend rate(s) for the next year used to measure the expected cost of benefits covered by the plan (gross eligible charges) and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when that rate is expected to be achieved? [SFAS 132(R), par. 8k (AC P40.169Aj)]	_____	_____	_____
l. If applicable, the amounts and types of securities of the employer and related parties included in plan assets, the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the employer or related parties, and any significant transactions between the employer or related parties and the plan during the period? [SFAS 132(R), par. 8l (AC P16.150Ak and P40.169Ak)]	_____	_____	_____
m. The nature and effect of significant nonroutine events, such as amendments, combinations, divestitures, curtailments, and settlements? [SFAS 132(R), par. 8m (AC P16.150Al and P40.169Al)]	_____	_____	_____
2. Are amounts related to the employer's results of operations disclosed for each period for which a statement of income is presented? [SFAS 132(R), par. 8 (AC P16.150A and P40.169A)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. Are amounts related to the employer's statement of financial position disclosed as of the measurement date used for each statement of financial position presented? [SFAS 132(R), par. 8 (AC P16.150A and P40.169A)]	_____	_____	_____

Disclosures in Interim Financial Reports

4. If the entity is publicly traded, does it disclose the following information in its interim financial statements that include a statement of income:			
a. The amount of net periodic benefit cost recognized, for each period for which a statement of income is presented, showing separately the service cost component, the interest cost component, the expected return on plan assets for the period, the amortization of the unrecognized transition obligation or transition asset, the amount of recognized gains or losses, the amount of prior service cost recognized, and the amount of gain or loss recognized due to a settlement or curtailment?	_____	_____	_____
b. The total amount of the employer's contributions paid, and expected to be paid, during the current fiscal year, if significantly different from amounts previously disclosed pursuant to paragraph 5(g) of SFAS 132? (Estimated contributions may be presented in the aggregate combining (a) contributions required by funding regulations or laws, (b) discretionary contributions, and (c) noncash contributions.) [SFAS 132(R), par. 9]	_____	_____	_____
5. If the entity is nonpublic, does it disclose in interim periods, for which a complete set of financial statements is presented, the total amount of the employer's contributions paid, and expected to be paid, during the current fiscal year, if significantly different from amounts previously disclosed pursuant to paragraph 8(f) of SFAS 132? (Estimated contributions may be presented in the aggregate combining (a) contributions required by funding regulations or laws, (b) discretionary contributions, and (c) noncash contributions.) [SFAS 132(R), par. 10 (AC P16.150B and P40.169B)]	_____	_____	_____

Pensions and Other Postretirement Benefits

6. If an employer sponsors one or more defined benefit pension plans or one or more defined benefit postretirement plans, has the following information been provided separately for pension plans and other postretirement benefit plans:
- a. A reconciliation of beginning and ending balances of the benefit obligation¹⁰ showing separately, if applicable, the effects during the period attributable to each of the following: service cost, interest cost, contributions by plan participants, actuarial gains and losses, foreign currency exchange rate changes,¹¹ benefits paid,

¹⁰ For defined benefit pension plans, the benefit obligation is the projected benefit obligation—the actuarial present value as of a date of all benefits attributed by the pension benefit formula to employee service rendered prior to that date. For defined benefit postretirement plans, the benefit obligation is the accumulated postretirement benefit obligation—the actuarial present value of benefits attributed to employee service rendered to a particular date.

¹¹ The effects of foreign currency exchange rate changes that are to be disclosed are those applicable to plans of a foreign operation whose functional currency is not the reporting currency pursuant to SFAS 52, *Foreign Currency Translation*.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
plan amendments, business combinations, divestitures, curtailments, settlements, and special termination benefits? [SFAS 132(R), par. 5a (AC P16.150 and P40.169)]	_____	_____	_____
b. A reconciliation of beginning and ending balances of the fair value of plan assets showing separately, if applicable, the effects during the period attributable to each of the following: actual return on plan assets, foreign currency exchange rate changes, ¹² contributions by the employer, contributions by plan participants, benefits paid, business combinations, divestitures, and settlements? [SFAS 132(R), par. 5b (AC P16.150 and P40.169)]	_____	_____	_____
c. The funded status of the plans, the amounts not recognized in the statement of financial position, and the amounts recognized in the statement of financial position, including:			
(1) The amount of any unamortized prior service cost?	_____	_____	_____
(2) The amount of any unrecognized net gain or loss (including asset gains and losses not yet reflected in market-related value)?	_____	_____	_____
(3) The amount of any remaining unamortized, unrecognized net obligation or net asset existing at the initial date of application of SFAS 87 or SFAS 106?	_____	_____	_____
(4) The net pension or other postretirement benefit, prepaid assets, or accrued liabilities?	_____	_____	_____
(5) Any intangible asset and the amount of accumulated other comprehensive income recognized pursuant to paragraph 37 of SFAS 87, as amended? [SFAS 132(R), par. 5c (AC P16.150 and P40.169)]	_____	_____	_____
d. Information about plan assets:			
(1) For each major category of plan assets, which shall include, but is not limited to, equity securities, debt securities, real estate, and all other assets, the percentage of the fair value of total plan assets held as of the measurement date used for each statement of financial position presented?	_____	_____	_____
(2) A narrative description of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption, such as the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined?	_____	_____	_____
(3) A narrative description of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption, such as the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined?	_____	_____	_____
(4) Disclosure of additional asset categories and additional information about specific assets within a category is encouraged if that information is expected to be useful in understanding	_____	_____	_____

¹² Refer to footnote 11.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
the risks associated with each asset category and the overall expected long-term rate of return on assets? [SFAS 132(R), par. 5d (AC P16.150d and P40.169d)]	_____	_____	_____
e. For defined benefit pension plans, the accumulated benefit obligation? [SFAS 132(R), par. 5e (AC P16.150e)]	_____	_____	_____
f. The benefits (as of the date of the latest statement of financial position presented) expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter? The expected benefits should be estimated based on the same assumptions used to measure the company's benefit obligation at the end of the year and should include benefits attributable to estimated future employee service. [SFAS 132(R), par. 5f (AC P16.150f and P40.169e)]	_____	_____	_____
g. The employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the next fiscal year beginning after the date of the latest statement of financial position presented? Estimated contributions may be presented in the aggregate combining (a) contributions required by funding regulations or laws, (b) discretionary contributions, and (c) noncash contributions. [SFAS 132(R), par. 5g (AC P16.150g and P40.169f)]	_____	_____	_____
h. The amount of net periodic benefit cost recognized, showing separately the service cost component, the interest cost component, the expected return on plan assets for the period, the amortization of the unrecognized transition obligation or transition asset, the amount of recognized gains and losses, the amount of prior service cost recognized, and the amount of gain or loss recognized due to a settlement or curtailment? [SFAS 132(R), par. 5h (AC P16.150h and P40.169g)]	_____	_____	_____
i. The amount included within other comprehensive income for the period arising from a change in the additional minimum pension liability recognized pursuant to paragraph 37 of SFAS 87, as amended? [SFAS 132(R), par. 5i (AC P16.150i)]	_____	_____	_____
j. On a weighted-average basis, the following assumptions used in the accounting for the plans: assumed discount rates, rates of compensation increase (for pay-related plans), and expected long-term rates of return on plan assets specifying, in a tabular format, the assumptions used to determine the benefit obligation and the assumptions used to determine net benefit cost? [SFAS 132(R), par. 5j (AC P16.150j and P40.169h)]	_____	_____	_____
k. The measurement date(s) used to determine pension and other postretirement benefit measurements for the pension plans and other postretirement benefit plans that make up at least the majority of plan assets and benefit obligations? [SFAS 132(R), par. 5k (AC P16.150k and P40.169i)]	_____	_____	_____
l. The assumed health care cost trend rate(s) for the next year used to measure the expected cost of benefits covered by the plan (gross eligible charges) and a general description of the direction and pattern of change in the assumed trend rates thereafter, together	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
with the ultimate trend rate(s) and when that rate is expected to be achieved? [SFAS 132(R), par. 5l (AC P40.169j)]	_____	_____	_____
m. The effect of a one-percentage-point increase and the effect of a one-percentage-point decrease in the assumed health care cost trend rates on (1) the aggregate of the service and interest cost components of net periodic postretirement health care benefit cost and (2) the accumulated postretirement benefit obligation for health care benefits? (For purposes of this disclosure, all other assumptions shall be held constant, and the effects shall be measured based on the substantive plan that is the basis for the accounting.) [SFAS 132(R), par. 5m (AC P40.169k)]	_____	_____	_____
n. If applicable, the amounts and types of securities of the employer and related parties included in plan assets, the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the employer or related parties, and any significant transactions between the employer or related parties and the plan during the period? [SFAS 132(R), par. 5n (AC P16.150l and P40.169l)]	_____	_____	_____
o. If applicable, any alternative amortization method used to amortize prior service amounts or unrecognized net gains and losses pursuant to paragraphs 26 and 33 of SFAS 87 or paragraphs 53 and 60 of SFAS 106? [SFAS 132(R), par. 5o (AC P16.150m and P40.169m)]	_____	_____	_____
p. If applicable, any substantive commitment such as past practice or a history of regular benefit increases, used as the basis for accounting for the benefit obligation? [SFAS 132(R), par. 5p (AC P16.150n and P40.169n)]	_____	_____	_____
q. If applicable, the cost of providing special or contractual termination benefits recognized during the period and a description of the nature of the event? [SFAS 132(R), par. 5q (AC P16.150o and P40.169o)]	_____	_____	_____
r. An explanation of any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by SFAS 132? [SFAS 132(R), par. 5r (AC P16.150p and P40.169p)]	_____	_____	_____
7. Are amounts related to the employer's results of operations disclosed for each period for which an income statement is presented? [SFAS 132(R), par. 5 (AC P16.150 and P40.169)]	_____	_____	_____
8. Are amounts related to the employer's statement of financial position disclosed for each balance sheet presented? [SFAS 132(R), par. 5 (AC P16.150 and P40.169)]	_____	_____	_____
<i>Employers With Two or More Plans</i>			
9. Are the disclosures required by SFAS 132 aggregated for all of an employer's defined benefit pension plans and for all of an employer's other defined benefit postretirement plans unless disaggregating in groups is considered to provide useful information or is otherwise required by paragraph 6 of SFAS 132 and paragraph 7 of SFAS 132? [SFAS 132(R), par. 6 (AC P16.153 and P40.172)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
10. Unless otherwise stated, are disclosures as of the measurement date for each statement of financial position presented? [SFAS 132(R), par. 6 (AC P16.153 and P40.172)]	_____	_____	_____
11. Does the disclosure of amounts recognized in the statement of financial position present prepaid benefit costs and accrued benefit liabilities separately? [SFAS 132(R), par. 6 (AC P16.153 and P40.172)]	_____	_____	_____

Note: Disclosures about pension plans with assets in excess of the accumulated benefit obligation generally may be aggregated with disclosures about pension plans with accumulated benefit obligations in excess of assets. The same aggregation is permitted for other postretirement benefit plans.
[SFAS 132(R), par. 6 (AC P16.153 and P40.172)]

12. If aggregate disclosures are presented, does the employer disclose:			
a. The aggregate benefit obligation and aggregate fair value of plan assets for plans with benefit obligations in excess of plan assets as of the measurement date of each statement of financial position presented?	_____	_____	_____
b. The aggregate pension accumulated benefit obligation and aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets? [SFAS 132(R), par. 6 (AC P16.153 and P40.172)]	_____	_____	_____
13. If a U.S. reporting entity combines disclosures about pension plans or other postretirement benefit plans outside the United States with those for U.S. plans, are the benefit obligations of the plans outside the United States not significant relative to the total benefit obligation and do those plans not use significantly different assumptions? [SFAS 132(R), par. 7 (AC P16.153A and P40.173)]	_____	_____	_____

Note: A foreign reporting entity that prepares financial statements in conformity with U.S. generally accepted accounting principles (GAAP) shall apply the proceeding guidance to its domestic and foreign plans.

Defined Contribution Plans

14. Does the employer disclose the amount of cost recognized for defined contribution pension plans and for other defined contribution postretirement benefit plans for all periods presented separately from the amount of cost recognized for defined benefit plans? [SFAS 132(R), par. 11 (AC P16.162 and P40.198)]	_____	_____	_____
15. Do the disclosures include a description of the nature and effect of any significant changes during the period affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture? [SFAS 132(R), par. 11 (AC P16.162 and P40.198)]	_____	_____	_____

Note: The AICPA staff, helped by industry experts, released two questions and answers, commonly referred to as Technical Practice Aids (TPAs),
(continued)

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
on accounting and disclosures for single employer and multiemployer employee benefit plans related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Medicare Act):			
<ul style="list-style-type: none"> • TPA 6930.09—<i>Accounting and Disclosure Requirements for Single-Employer Employee Benefit Plans Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003</i> • TPA 6930.10—<i>Accounting and Disclosure Requirements for Multi-employer Employee Benefit Plans Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003</i> 			
These TPAs provide accounting and disclosure guidance for both single employer and multiemployer plans relating to the effects of the Medicare Act. Practitioners are encouraged to incorporate this guidance as soon as practicable. These Technical Practice Aids are available on the AICPA's Web site at www.aicpa.org/Professional+Resources/Accounting+and+Auditing/Accounting+Standards/recent_tpas.aspx .			

Multiemployer Plans

16. Has the employer disclosed the amount of contributions to multiemployer plans for each annual period for which a statement of income is presented? [SFAS 132(R), par. 12 (AC P16.166 and P40.178)]	_____	_____	_____
17. If the employer chooses to disclose total contributions to multiemployer plans without disaggregating the amounts attributable to pension plans and other postretirement benefit plans, do the disclosures include a description of the nature and effect of any changes affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture? [SFAS 132(R), par. 12 (AC P16.166 and P40.178)]	_____	_____	_____
18. In some situations, withdrawal from a multiemployer plan may result in an employer having an obligation to the plan for a portion of the unfunded benefit obligation of the pension plans and other postretirement benefit plans. If withdrawal under circumstances that would give rise to an obligation is either probable or reasonably possible, have the provisions of SFAS 5, <i>Accounting for Contingencies</i> , been applied (SFAS 87, paragraph 70)? [SFAS 132(R), par. 13 (AC P16.167 and P40.179)]	_____	_____	_____
19. If it is either probable or reasonably possible that (a) an employer would withdraw from the plan under circumstances that would give rise to an obligation or (b) an employer's contribution to the fund would be increased during the remainder of the contract period to make up a shortfall in the funds necessary to maintain the negotiated level of benefit coverage (a "maintenance of benefits" clause), has the employer applied the provisions of SFAS 5 (SFAS 106, paragraph 83)? [SFAS 132(R), par. 13 (AC P16.167 and P40.179)]	_____	_____	_____

Other Matters

20. If the matters addressed in EITF 03-2, <i>Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities</i> , apply, are the disclosure requirements of that EITF Issue complied with? [EITF 03-2]	_____	_____	_____
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>Note: In May 2004, the FASB issued FSP 106-2, <i>Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003</i>, which provides guidance on the accounting for the effects of the Act for employers that sponsor postretirement health care plans that provide prescription drug benefits. This FSP also requires those employers to provide certain disclosures regarding the effect of the federal subsidy provided by the Act. FSP 106-2 is effective for fiscal years beginning after December 15, 2004. Earlier application of FSP 106-2 is encouraged. Readers should refer to the detailed effective date requirements in FSP 106-2.</p>			
21. Until an employer is able to determine whether benefits provided by its plan are actuarially equivalent, does it disclose the following in financial statements for interim or annual periods:			
a. The existence of the Act?	_____	_____	_____
b. The fact that measures of the accumulated postretirement benefit obligation (APBO) or net periodic postretirement benefit cost do not reflect any amount associated with the subsidy because the employer is unable to conclude whether the benefits provided by the plan are actuarially equivalent to Medicare Part D under the Act? [FSP 106-2 (AC P40.871)]	_____	_____	_____
22. In interim and annual financial statements for the first period in which an employer includes the effects of the subsidy in measuring the APBO and the first period in which an employer includes the effects of the subsidy in measuring net periodic postretirement benefit cost, does it disclose the following:			
a. The reduction in the APBO for the subsidy related to benefits attributed to past service?	_____	_____	_____
b. The effect of the subsidy on the measurement of net periodic postretirement benefit cost for the current period? That effect includes (1) any amortization of the actuarial experience gain in <i>a</i> as a component of the net amortization called for by paragraph 59 of SFAS 106, (2) the reduction in current period service cost due to the subsidy, and (3) the resulting reduction in interest cost on the APBO as a result of the subsidy.	_____	_____	_____
c. Any other disclosures required by paragraph 5(r) of SFAS 132(R), <i>Employers' Disclosures about Pensions and Other Postretirement Benefits</i> ? Paragraph 5(r) of SFAS 132(R) requires disclosure of "an explanation of any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by this Statement." [FSP 106-2 (AC P40.872)]	_____	_____	_____
23. For purposes of the disclosures required by paragraphs 5(a) and 5(f) of SFAS 132(R), does an employer disclose gross benefit payments (paid and expected, respectively), including prescription drug benefits, and separately, the gross amount of the subsidy receipts (received and expected, respectively)? [FSP 106-2 (AC P40.873)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>Note: The consensus in EITF 06-4 Issue, <i>Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements</i>, was ratified at the September 20, 2006 meeting and is effective for fiscal years beginning after December 15, 2007, with earlier application permitted. Entities should recognize the effects of applying the consensus in this Issue through either (a) a change in accounting principle through a cumulative-effect adjustment to retained earnings or to other components of equity or net assets in the statement of financial position as of the beginning of the year of adoption or (b) a change in accounting principle through retrospective application to all prior periods. Questions 24 and 25 provide transitional disclosures when applying EITF Issue 06-4.</p>			

24. If an entity chooses to apply the consensus in EITF Issue 06-4 as a change in accounting principle through a cumulative-effect adjustment to retained earnings, does the entity disclose the cumulative effect of the change on retained earnings or on other components of equity or net assets in the statement of financial position? [SOP 05-1, par. 8]	_____	_____	_____
25. If an entity chooses to apply the consensus in EITF Issue 06-4 as a change in accounting principle through retrospective application to all prior periods, are the following disclosed:			
a. A description of the prior-period information that has been retrospectively adjusted?	_____	_____	_____
b. The effect of the change in accounting principle on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), any other affected financial statement caption, and any affected per-share amounts for any prior periods retrospectively adjusted?	_____	_____	_____
c. The cumulative effect of the change in accounting principle on retained earnings or other components of equity or net assets in the statement of financial position as of the beginning of the earliest period presented? [EITF 06-4, par. 10]	_____	_____	_____

J1. Employers' Disclosures for Defined Benefit Pension and Other Postretirement Plans

Note: If SFAS 158 has been adopted, the following section should be completed. Also the *Other Matters*, Questions 20–23 in section J above should be answered.

Effective Dates for Recognition and Related Disclosure Provisions

The required date of adoption of the recognition and disclosure provisions of the Statement differs for an employer that is an issuer of publicly traded equity securities (as defined) and an employer that is not. Readers should refer to the complete FASB Statement for any of the conditions that need to be met for an employer to be deemed to have publicly traded equity securities.

Yes No N/A

An employer **with publicly traded equity securities** is required to initially recognize the funded status of a defined benefit postretirement plan (see paragraph 4 of SFAS 158) and to provide the required disclosures (see paragraph 7 of SFAS 158) as of the end of the fiscal year ending after December 15, 2006.

An employer **without publicly traded equity securities** is required to recognize the funded status of a defined benefit postretirement plan (see paragraphs 4 and 8 of SFAS 158) and to provide the required disclosures (see paragraphs 7 and 10 of SFAS 158) as of the end of the fiscal year ending after June 15, 2007.

However, an employer **without publicly traded equity securities** is required to disclose additional information in the notes to financial statements for a fiscal year ending after December 15, 2006, but before June 16, 2007, unless it has applied the recognition provisions of the Statement in preparing those financial statements. See Question 2 for those additional disclosure requirements.

The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position (see paragraphs 5, 6, and 9 of SFAS 158) is effective for fiscal years ending after December 15, 2008. If in the last quarter of the preceding fiscal year an employer enters into a transaction that results in a settlement or experiences an event that causes a curtailment of the plan, the related gain or loss pursuant to SFAS 88 or 106 is required to be recognized in earnings or changes in unrestricted net assets of that quarter. The requirement in paragraphs 5(k) and 8(j) of Statement 132(R) to disclose the measurement date is eliminated, effective in the year the employer initially adopts the measurement date provisions of this Statement.

Earlier application of the recognition or measurement date provisions is encouraged; however, early application must be for **all** of an employer's benefit plans. Retrospective application of the Statement is not permitted.

1. Does a business entity that sponsors one or more benefit plans disclose the following information in the notes to its annual financial statements, separately for pension plans and other postretirement benefit plans:
 - a. For each annual statement of income presented, the amounts recognized in other comprehensive income, showing separately the net gain or loss and net prior service cost or credit. Those amounts shall be separated into amounts arising during the period and reclassification adjustments of other comprehensive income as a result of being recognized as components of net periodic benefit cost for the period?
 - b. For each annual statement of income presented, the net transition asset or obligation recognized as a reclassification adjustment of other comprehensive income as a result of being recognized as a component of net periodic benefit cost for the period?
 - c. For each annual statement of financial position presented, the amounts in accumulated other comprehensive income that have not yet been recognized as components of net periodic benefit cost, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation?

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the fiscal year that follows the most recent annual statement of financial position presented, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation?	_____	_____	_____
e. The amount and timing of any plan assets expected to be returned to the business entity during the 12-month period, or operating cycle if longer, that follows the most recent annual statement of financial position presented? [SFAS 158, par. 7]	_____	_____	_____
2. Does an employer without publicly traded equity securities disclose the following information in the notes to the financial statements for a fiscal year ending after December 15, 2006, but before June 16, 2007, unless it has applied the recognition provisions of the Statement in preparing those financial statements:			
a. A brief description of the provisions of the Statement?	_____	_____	_____
b. The date that adoption is required?	_____	_____	_____
c. The date the employer plans to adopt the recognition provisions of the Statement, if earlier? [SFAS 158, par. 14]	_____	_____	_____

Disclosures Required in the Year of Application

3. In the year that the recognition provisions of SFAS 158 are initially applied, does the employer disclose, in the notes to the annual financial statements, the incremental effect of applying this Statement on individual line items in the year-end statement of financial position? [SFAS 158, par. 20]	_____	_____	_____
4. In the year that the measurement date provisions of SFAS 158 are initially applied, does a business entity disclose the separate adjustments of retained earnings and accumulated other comprehensive income from applying the Statement? [SFAS 158, par. 21]	_____	_____	_____

Note: The disclosures specified by paragraphs 17 and 18 of SFAS 154, *Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and FASB Statement No. 3*, are not required.
[SFAS 158, par. 22]

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|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|
| 5. If an employer sponsors one or more defined benefit pension plans or one or more defined benefit postretirement plans, has the following information been provided separately for pension plans and other postretirement benefit plans: | | | |
| a. A reconciliation of beginning and ending balances of the benefit obligation ¹³ showing separately, if applicable, the effects during the period attributable to each of the following: service cost, interest cost, contributions by plan participants, actuarial gains and | | | |

¹³ For defined benefit pension plans, the benefit obligation is the projected benefit obligation—the actuarial present value as of a date of all benefits attributed by the pension benefit formula to employee service rendered prior to that date. For defined postretirement plans, the benefit obligation is the accumulated postretirement benefit obligation—the actuarial present value of benefits attributed to employee service rendered to a particular date.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
losses, foreign currency exchange rate changes, ¹⁴ benefits paid, plan amendments, business combinations, divestitures, curtailments, settlements, and special termination benefits? [SFAS 132(R), par. 5a (AC P16.150 and P40.169)]	_____	_____	_____
b. A reconciliation of beginning and ending balances of the fair value of plan assets showing separately, if applicable, the effects during the period attributable to each of the following: actual return on plan assets, foreign currency exchange rate changes, ¹⁵ contributions by the employer, contributions by plan participants, benefits paid, business combinations, divestitures, and settlements? [SFAS 132(R), par. 5b (AC P16.150 and P40.169)]	_____	_____	_____
c. The funded status of the plans and the amounts recognized in the statement of financial position showing separately the assets and current and noncurrent liabilities recognized? [SFAS 132(R), par. 5c, as amended by SFAS 158 (AC P16.150 and P40.169)]	_____	_____	_____
d. Information about plan assets:			
(1) For each major category of plan assets, which shall include, but is not limited to, equity securities, debt securities, real estate, and all other assets, the percentage of the fair value of total plan assets held as of the measurement date used for each statement of financial position presented?	_____	_____	_____
(2) A narrative description of investment policies and strategies, including target allocation percentages or range of percentages for each major category of plan assets presented on a weighted-average basis as of the measurement date(s) of the latest statement of financial position presented, if applicable, and other factors that are pertinent to an understanding of the policies or strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations?	_____	_____	_____
(3) A narrative description of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption, such as the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined?	_____	_____	_____
(4) Disclosure of additional asset categories and additional information about specific assets within a category is encouraged if that information is expected to be useful in understanding the risks associated with each asset category and the overall expected long-term rate of return on assets? [SFAS 132(R), par. 5d (AC P16.150d and P40.169d)]	_____	_____	_____
e. For defined benefit pension plans, the accumulated benefit obligation? [SFAS 132(R), par. 5e (AC P16.150e)]	_____	_____	_____

¹⁴ The effects of foreign currency exchange rate changes that are to be disclosed are those applicable to plans of a foreign operation whose functional currency is not the reporting currency pursuant to SFAS 52, *Foreign Currency Translation*.

¹⁵ Refer to footnote 14.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
f. The benefits (as of the date of the latest statement of financial position presented) expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter? The expected benefits should be estimated based on the same assumptions used to measure the company's benefit obligation at the end of the year and should include benefits attributable to estimated future employee service. [SFAS 132(R), par. 5f (AC P16.150f and P40.169e)]	_____	_____	_____
g. The employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the next fiscal year beginning after the date of the latest statement of financial position presented. Estimated contributions may be presented in the aggregate combining (1) contributions required by funding regulations or laws, (2) discretionary contributions, and (3) noncash contributions? [SFAS 132(R), par. 5g (AC P16.150g and P40.169f)]	_____	_____	_____
h. The amount of net periodic benefit cost recognized, showing separately the service cost component, the interest cost component, the expected return on plan assets for the period, the gain or loss component, the prior service cost or credit component, the transition asset or obligation component, and the gain or loss recognized due to settlements or curtailments?	_____	_____	_____
i. Separately the net gain or loss and net prior service cost or credit recognized in other comprehensive income for the period pursuant to paragraphs 25 and 29 of SFAS 87 and paragraphs 52 and 56 of SFAS 106, as amended, and reclassification adjustments of other comprehensive income for the period, as those amounts, including amortization of the net transition asset or obligation, are recognized as components of net periodic benefit cost? [SFAS 132(R), par. 5i, as amended by SFAS 158 (AC P16.150i)]	_____	_____	_____
ii. The amounts in accumulated other comprehensive income that have not yet been recognized as components of net periodic benefit cost, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation? [SFAS 132(R), par. 5ii, as amended by SFAS 158]	_____	_____	_____
j. On a weighted-average basis, the following assumptions used in the accounting for the plans: assumed discount rate, rates of compensation increase (for pay-related plans), and expected long-term rates of return on plan assets specifying, in a tabular format, the assumptions used to determine the benefit obligation and the assumptions used to determine net benefit cost? [SFAS 132(R), par. 5j (AC P16.150j and P40.169h)]	_____	_____	_____
k. Deleted by SFAS 158 [SFAS 132(R), par. 5k, as amended by SFAS 158 (AC P16.150k and P40.169i)]	_____	_____	_____
l. The assumed health care cost trend rate(s) for the next year used to measure the expected cost of benefits covered by the plan (gross eligible charges) and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when that rate is expected to be achieved? [SFAS 132(R), par. 5l (AC P40.169j)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>m. The effect of a one-percentage-point increase and the effect of a one-percentage-point decrease in the assumed health care cost trend rates on (1) the aggregate of the service and interest cost components of net periodic postretirement health care benefit cost and (2) the accumulated postretirement benefit obligation for health care benefits? (For purposes of this disclosure, all other assumptions shall be held constant, and the effects shall be measured based on the substantive plan that is the basis for the accounting.) [SFAS 132(R), par. 5m (AC P40.169k)]</p>	_____	_____	_____
<p>n. If applicable, the amounts and types of securities of the employer and related parties included in plan assets, the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the employer or related parties, and any significant transactions between the employer or related parties and the plan during the period? [SFAS 132(R), par. 5n (AC P16.150l and P40.169l)]</p>	_____	_____	_____
<p>o. If applicable, any alternative method used to amortize prior service amounts or net gains and losses pursuant to paragraphs 26 and 33 of SFAS 87 or paragraphs 53 and 60 of SFAS 106? [SFAS 132(R), par. 5o, as amended by SFAS 158 (AC P16.150m and P40.169m)]</p>	_____	_____	_____
<p>p. If applicable, any substantive commitment such as past practice or a history of regular benefit increases used as the basis for accounting for the benefit obligation?</p>	_____	_____	_____
<p>q. If applicable, the cost of providing special or contractual termination benefits recognized during the period and a description of the nature of the event? [SFAS 132(R), par. 5q (AC P16.150o and P40.169o)]</p>	_____	_____	_____
<p>r. An explanation of any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by SFAS 132? [SFAS 132(R), par. 5r (AC P16.150p and P40.169p)]</p>	_____	_____	_____
<p>s. The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the fiscal year that follows the most recent annual statement of financial position presented, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation? [SFAS 132(R), par. 5s, as amended by SFAS 158]</p>	_____	_____	_____
<p>t. The amount and timing of any plan assets expected to be returned to the employer during the 12-month period, or operating cycle if longer, that follows the most recent annual statement of financial position presented? [SFAS 132(R), par. 5t, as amended by SFAS 158]</p>	_____	_____	_____
<p>6. Are amounts related to the employer's results of operations disclosed for each period for which an income statement is presented? [SFAS 132(R), par. 5 (AC P16.150 and P40.169)]</p>	_____	_____	_____
<p>7. Are amounts related to the employer's statement of financial position disclosed as of the date of each statement of financial position presented? [SFAS 132(R), par. 5, as amended by SFAS 158 (AC P16.150 and P40.169)]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Employers With Two or More Plans</i>			
8. Are the disclosures required by SFAS 132 aggregated for all of an employer's defined benefit pension plans and for all of an employer's other defined benefit postretirement plans unless disaggregating in groups is considered to provide useful information or is otherwise required by paragraph 6 of SFAS 132 and paragraph 7 of SFAS 132? [SFAS 132(R), par. 6 (AC P16.153 and P40.172)]	_____	_____	_____
9. Are disclosures as of the date of each statement of financial position presented? [SFAS 132(R), par. 6, as amended by SFAS 158 (AC P16.153 and P40.172)]	_____	_____	_____
<i>Note:</i> Disclosures about pension plans with assets in excess of the accumulated benefit obligation generally may be aggregated with disclosures about pension plans with accumulated benefit obligations in excess of assets. The same aggregation is permitted for other postretirement benefit plans. [SFAS 132(R), par. 6 (AC P16.153 and P40.172)]			
10. If aggregate disclosures are presented, does the employer disclose:			
a. The aggregate benefit obligation and aggregate fair value of plan assets for plans with benefit obligations in excess of plan assets as of the measurement date of each statement of financial position presented?	_____	_____	_____
b. The aggregate pension accumulated benefit obligation and aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets? [SFAS 132(R), par. 6 (AC P16.153 and P40.172)]	_____	_____	_____
11. If a U.S. reporting entity combines disclosures about pension plans or other postretirement benefit plans outside the United States with those for U.S. plans, are the benefit obligations of the plans outside the United States not significant relative to the total benefit obligation, and do those plans not use significantly different assumptions? [SFAS 132(R), par. 7 (AC P16.153A and P40.173)]	_____	_____	_____

Note: A foreign reporting entity that prepares financial statements in conformity with U.S. generally accepted accounting principles (GAAP) shall apply the preceding guidance to its domestic and foreign plans.

Reduced Disclosure Requirements for Nonpublic Entities

Note: A nonpublic entity is not required to disclose the information required by paragraphs 5(a)–(c), 5(h), 5(m), and 5(o)–(r) of SFAS 132(R). See the related disclosure questions above.

12. For a nonpublic entity¹⁶ that sponsors one or more defined benefit pension plans or one or more other defined benefit postretirement plans, has the following information been disclosed, separately for pension plans and other postretirement benefit plans:

¹⁶ A nonpublic entity is any entity other than one (a) whose debt or equity securities trade in a public market either on a stock exchange (domestic or foreign) or in the over-the-counter market including securities quoted only locally or regionally, (b) that makes a filing with a regulatory agency in preparation for the sale of any class of debt or equity securities in a public market, or (c) that is controlled by an entity covered by (a) or (b).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The benefit obligation, fair value of plan assets, and funded status of the plan? [SFAS 132(R), par. 8a (AC P16.150Aa and P40.169Aa)]	_____	_____	_____
b. Employer contributions, participant contributions, and benefits paid? [SFAS 132(R), par. 8b (AC P16.150Ab and P40.169Ab)]	_____	_____	_____
c. Information about plan assets:			
(1) For each major category of plan assets which shall include, but is not limited to, equity securities, debt securities, real estate, and all other assets, the percentage of the fair value of total plan assets held as of the measurement date used for each statement of financial position presented? [SFAS 132(R), par. 8c(1) (AC P16.150Ac(1) and P40.169Ac)]	_____	_____	_____
(2) A narrative description of investment policies and strategies, including target allocation percentages or range of percentages for each major category of plan assets presented on a weighted-average basis as of the measurement date(s) of the latest statement of financial position presented, if applicable, and other factors that are pertinent to an understanding of the policies or strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations? [SFAS 132(R), par. 8c(2) (AC P16.150Ac(2) and P40.169Ac)]	_____	_____	_____
(3) A narrative description of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption, such as the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined? [SFAS 132(R), par. 8c(3) (AC P16.150Ac(3) and P40.169Ac)]	_____	_____	_____
Note: Disclosure of additional asset categories and additional information about specific assets within a category is encouraged if that information is expected to be useful in understanding the risks associated with each asset category and the overall expected long-term rate of return on assets. [SFAS 132(R), par. 8c(4) (AC P16.150Ac(4) and P40.169Ac(4))]			
d. For defined benefit pension plans, the accumulated benefit obligation? [SFAS 132(R), par. 8d (AC P16.150Ad)]	_____	_____	_____
e. The benefits (as of the date of the latest statement of financial position presented) expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter? (The expected benefits should be estimated based on the same assumptions used to measure the company's benefit obligation at the end of the year and should include benefits attributable to estimated future employee service.) [SFAS 132(R), par. 8e (AC P16.150Ae and P40.169Ad)]	_____	_____	_____
f. The employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the next fiscal year beginning after the date of the latest			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
statement of financial position presented? (Estimated contributions may be presented in the aggregate combining (1) contributions required by funding regulations or laws, (2) discretionary contributions, and (3) noncash contributions.) [SFAS 132(R), par. 8f (AC P16.150Af and P40.169Ae)]	_____	_____	_____
g. The amounts recognized in the statements of financial position, showing separately the postretirement benefit assets and current and noncurrent postretirement benefit liabilities? [SFAS 132(R), par. 8g, as amended by SFAS 158 (AC P16.150Ag and P40.169Af)]	_____	_____	_____
h. Separately, the net gain or loss and net prior service cost or credit recognized in other comprehensive income for the period pursuant to paragraphs 25 and 29 of SFAS 87 and paragraphs 52 and 56 of SFAS 106, as amended, and reclassification adjustments of other comprehensive income for the period, as those amounts, including amortization of the net transition asset or obligation, are recognized as components of net periodic benefit cost? [SFAS 132(R), par. 8h, as amended by SFAS 158 (AC P16.150Ag)]	_____	_____	_____
hh. The amounts in accumulated other comprehensive income that have not yet been recognized as components of net periodic benefit cost, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation? [SFAS 132(R), par. 8hh, as amended by SFAS 158]	_____	_____	_____
i. On a weighted-average basis, the following assumptions used in the accounting for the plans: assumed discount rates, rates of compensation increase (for pay-related plans), and expected long-term rates of return on plan assets specifying, in a tabular format, the assumptions used to determine the benefit obligation and the assumptions used to determine net benefit cost? [SFAS 132(R), par. 8i (AC P16.150Ai and P40.169Ah)]	_____	_____	_____
j. Deleted by SFAS 158 [SFAS 132(R), par. 8j, as amended by SFAS 158 (AC P16.150Aj and P40.169Ai)]	_____	_____	_____
k. The assumed health care cost trend rate(s) for the next year used to measure the expected cost of benefits covered by the plan (gross eligible charges) and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when that rate is expected to be achieved? [SFAS 132(R), par. 8k (AC P40.169Aj)]	_____	_____	_____
l. If applicable, the amounts and types of securities of the employer and related parties included in plan assets, the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the employer or related parties, and any significant transactions between the employer or related parties and the plan during the period? [SFAS 132(R), par. 8l (AC P16.150Ak and P40.169Ak)]	_____	_____	_____
m. The nature and effect of significant non-routine events, such as amendments, combinations, divestitures, curtailments, and settlements? [SFAS 132(R), par. 8m (AC P16.150Al and P40.169Al)]	_____	_____	_____
n. The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
over the fiscal year that follows the most recent annual statement of financial position presented, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation? [SFAS 132(R), par. 8n, as amended by SFAS 158]	_____	_____	_____
o. The amount and timing of any plan assets expected to be returned to the employer during the 12-month period, or operating cycle if longer, that follows the most recent annual statement of financial position presented? [SFAS 132(R), par. 8o, as amended by SFAS 158]	_____	_____	_____
13. Are amounts related to the employer's results of operations disclosed for each period for which a statement of income is presented? [SFAS 132(R), par. 8 (AC P16.150A and P40.169A)]	_____	_____	_____
14. Are amounts related to the employer's statement of financial position disclosed as of the date of each statement of financial position presented? [SFAS 132(R), par. 8, as amended by SFAS 158 (AC P16.150A and P40.169A)]	_____	_____	_____
<i>Disclosures in Interim Financial Reports</i>			
15. If the entity is publicly traded, does it disclose the following information in its interim financial statements that include a statement of income:			
a. The amount of net periodic benefit cost recognized for each period for which a statement of income is presented, showing separately the service cost component, the interest cost component, the expected return on plan assets for the period, the gain or loss component, the prior service cost or credit component, the transition asset or obligation component, and the gain or loss recognized due to a settlement or curtailment?	_____	_____	_____
b. The total amount of the employer's contributions paid, and expected to be paid, during the current fiscal year, if significantly different from amounts previously disclosed pursuant to paragraph 5(g) of SFAS 132? (Estimated contributions may be presented in the aggregate combining (1) contributions required by funding regulations or laws, (2) discretionary contributions, and (3) noncash contributions.) [SFAS 132(R), par. 9, as amended by SFAS 158]	_____	_____	_____
16. If the entity is nonpublic, does it disclose in interim periods, for which a complete set of financial statements is presented, the total amount of the employer's contributions paid, and expected to be paid, during the current fiscal year, if significantly different from amounts previously disclosed pursuant to paragraph 8(f) of SFAS 132? (Estimated contributions may be presented in the aggregate combining (a) contributions required by funding regulations or laws, (b) discretionary contributions, and (c) noncash contributions.) [SFAS 132(R), par. 10 (AC P16.150B and P40.169B)]	_____	_____	_____

Entities That Do Not Report Other Comprehensive Income

17. Did the entity comply with the following instructions: For employers that do not report other comprehensive income in accordance with

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
SFAS 130, <i>Reporting Comprehensive Income</i> , the references to the net gain or loss, net prior service cost or credit, and net transition asset or obligation recognized in other comprehensive income in paragraphs 5(i) and 8(h) of SFAS 132 shall instead be to such amounts recognized as changes in unrestricted net assets arising from a defined benefit plan but not yet included in net periodic benefit cost? [SFAS 132(R), par. 10A, as amended by SFAS 158]	_____	_____	_____
18. Did the entity comply with the following instructions: For those employers, the references to reclassification adjustments of other comprehensive income in paragraphs 5(i) and 8(h) of SFAS 132 shall instead be to reclassifications to net periodic benefit cost of amounts previously recognized as changes in unrestricted net assets arising from a defined benefit plan but not included in net periodic benefit cost when they arose? [SFAS 132(R), par. 10B, as amended by SFAS 158]	_____	_____	_____
19. Did the entity comply with the following instructions: For those employers, the references to the net gain or loss, net prior service cost or credit, and net transition asset or obligation recognized in accumulated other comprehensive income in paragraphs 5(ii), 5(s), 8(hh), and 8(n) of SFAS 132 shall instead be to such amounts that have been recognized as changes in unrestricted net assets arising from a defined benefit plan but not yet reclassified as components of net periodic benefit cost? [SFAS 132(R), par. 10C, as amended by SFAS 158]	_____	_____	_____
20. Did the entity comply with the following instructions: For those employers, the references to results of operations (including items of other comprehensive income) in paragraphs 5 and 8 of SFAS 132 shall instead be to changes in unrestricted net assets and the references to a statement of income in those paragraphs shall instead be to a statement of activities? [SFAS 132(R), par. 10D, as amended by SFAS 158]	_____	_____	_____

Defined Contribution Plans

21. Does the employer disclose the amount of cost recognized for defined contribution pension plans and for other defined contribution postretirement benefit plans for all periods presented separately from the amount of cost recognized for defined benefit plans? [SFAS 132(R), par. 11 (AC P16.162 and P40.198)]	_____	_____	_____
22. Do the disclosures include a description of the nature and effect of any significant changes during the period affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture? [SFAS 132(R), par. 11 (AC P16.162 and P40.198)]	_____	_____	_____

Note: The AICPA staff, helped by industry experts, released two questions and answers, commonly referred to as Technical Practice Aids (TPAs), on accounting and disclosures for single employer and multiemployer employee benefit plans related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Medicare Act):

- TPA 6930.09, *Accounting and Disclosure Requirements for Single-Employer Employee Benefit Plans Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003*

(continued)

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<ul style="list-style-type: none"> • TPA 6930.10, <i>Accounting and Disclosure Requirements for Multiemployer Employee Benefit Plans Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003</i> <p>These TPAs provide accounting and disclosure guidance for both single employer and multiemployer plans relating to the effects of the Medicare Act. Practitioners are encouraged to incorporate this guidance as soon as practicable. These TPAs are available on the AICPA's Web site at www.aicpa.org/Professional+Resources/Accounting+and+Auditing/Accounting+Standards/recent_tpas.aspx.</p>			
Multiemployer Plans			
23. Has the employer disclosed the amount of contributions to multiemployer plans for each annual period for which a statement of income is presented? [SFAS 132(R), par. 12 (AC P16.166 and P40.178)]	_____	_____	_____
24. If the employer chooses to disclose total contributions to multiemployer plans without disaggregating the amounts attributable to pension plans and other postretirement benefit plans, do the disclosures include a description of the nature and effect of any changes affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture? [SFAS 132(R), par. 12 (AC P16.166 and P40.178)]	_____	_____	_____
25. In some situations, withdrawal from a multiemployer plan may result in an employer having an obligation to the plan for a portion of the unfunded benefit obligation of the pension plans and other postretirement benefit plans. If withdrawal under circumstances that would give rise to an obligation is either probable or reasonably possible, have the provisions of SFAS 5, <i>Accounting for Contingencies</i> , been applied (SFAS 87, paragraph 70)? [SFAS 132(R), par. 13 (AC P16.167 and P40.179)]	_____	_____	_____
26. If it is either probable or reasonably possible that (a) an employer would withdraw from the plan under circumstances that would give rise to an obligation or (b) an employer's contribution to the fund would be increased during the remainder of the contract period to make up a shortfall in the funds necessary to maintain the negotiated level of benefit coverage (a "maintenance of benefits" clause), has the employer applied the provisions of SFAS 5 (SFAS 106, paragraph 83)? [SFAS 132(R), par. 13 (AC P16.167 and P40.179)]	_____	_____	_____
K. Consolidations			
1. If consolidated statements are presented, is the consolidation policy disclosed? [ARB 51, par. 5 (AC C51.108); APB 22, par. 13 (AC A10.106)]	_____	_____	_____
2. Are the accounts of all majority-owned subsidiaries (except those for which control is likely to be temporary or does not rest with the majority owner) consolidated? [SFAS 94, par. 13 (AC C51.103)]	_____	_____	_____
3. If the financial reporting periods of any subsidiaries are different from that of the parent, are intervening events that materially affect financial position or results of operations disclosed? [ARB 51, par. 4 (AC C51.107)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Are material intercompany transactions and accounts, and any profits or losses on assets that are eliminated disclosed? [ARB 51, par. 6 (AC C51.109)]	_____	_____	_____

Consolidation of Variable Interest Entities

Important: FASBI 46(R), *Consolidation of Variable Interest Entities*, an interpretation of ARB 51, contains different effective dates based on the nature of the entity applying its provisions. Also, FASBI 46(R) contains scope exceptions that should be considered in determining whether its provisions apply to a particular entity. Financial statement preparers and auditors should familiarize themselves with the effective date guidance and scope exceptions contained in FASBI 46(R), which can be obtained on the FASB Web site at www.fasb.org. Note that FASBI 46(R) replaces the original FASBI 46 that was issued in January 2003.

Separate accounts of life insurance entities as described in the AICPA Audit and Accounting Guide *Life and Health Insurance Entities*, are not subject to consolidation according to the requirements of FASBI 46.

5. Does the primary beneficiary of a variable interest entity disclose the following (unless the primary beneficiary also holds a majority voting interest):			
a. The nature, purpose, size, and activities of the variable interest entity?	_____	_____	_____
b. The carrying amount and classification of consolidated assets that are collateral for the variable interest entity's obligations?	_____	_____	_____
c. Lack of recourse if creditors (or beneficial interest holders) of a consolidated variable interest entity have no recourse to the general credit of the primary beneficiary? [FASBI 46(R), par. 23 (AC C54.123)]	_____	_____	_____
6. Does an enterprise that holds a significant variable interest in a variable interest entity but is not the primary beneficiary disclose:			
a. The nature of its involvement with the variable interest entity and when that involvement began?	_____	_____	_____
b. The nature, purpose, size, and activities of the variable interest entity?	_____	_____	_____
c. The enterprise's maximum exposure to loss as a result of its involvement with the variable interest entity? [FASBI 46(R), par. 24 (AC C54.124)]	_____	_____	_____

Note: For entities to which FASBI 46(R) has been applied, the guidance in FSP FIN 46(R)-5 should be applied in the first reporting period beginning after March 3, 2005 in accordance with the transition provisions of FASBI 46(R). Restatement to the date of the initial application of FASBI 46(R) is permitted but not required. Early application is permitted for periods for which financial statements have not yet been issued. For entities to which FASBI 46(R) has not been applied, the guidance in FSP FIN 46(R)-5 should be applied in accordance with the effective date and transition provisions of FASBI 46(R).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. Does a reporting enterprise that is not the primary beneficiary but holds a significant implicit variable interest in a VIE disclose the information in Question 5 above? [FSP FIN 46(R)-5, par. 6 (AC C54.818-.826)]	_____	_____	_____
8. Are disclosures required by SFAS 140 about a variable interest entity included in the same note to the financial statements as the information required by FASBI 46(R)? [FASBI 46(R), par. 25 (AC C54.125)]	_____	_____	_____
9. If an entity does not apply FASBI 46(R) to one or more variable interest entities or potential variable interest entities because of the condition described in paragraph 4(g) of FASBI 46(R), is the following information disclosed:			
a. The number of entities to which this Interpretation is not being applied and the reason why the information required to apply this Interpretation is not available?	_____	_____	_____
b. The nature, purpose, size (if available), and activities of the entity(ies) and the nature of the enterprise's involvement with the entity(ies)?	_____	_____	_____
c. The reporting enterprise's maximum exposure to loss because of its involvement with the entity(ies)?	_____	_____	_____
d. The amount of income, expense, purchases, sales, or other measure of activity between the reporting enterprise and the entity(ies) for all periods presented? (However, if it is not practicable to present that information for prior periods that are presented in the first set of financial statements for which this requirement applies, the information for those prior periods is not required.) [FASBI 46(R), par. 26 (AC C54.126)]	_____	_____	_____

L. Financial Instruments¹⁷

Derivative Instruments and Hedging Activities

1. If an entity holds or issues derivative instruments (or nonderivative instruments that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42 of SFAS 133, as amended by SFAS 138), has disclosure been made of its objectives for holding or issuing those instruments, the context needed to understand those objectives, and its strategies for achieving those objectives?	_____	_____	_____
2. Does the description distinguish between derivative instruments (and nonderivative instruments) designated as fair value hedging instruments, derivative instruments designated as cash flow hedging instruments, derivative instruments (and nonderivative instruments) designated as hedging instruments for hedges of the foreign currency exposure of a net investment in a foreign operation, and all other derivatives?	_____	_____	_____
3. Does the description also indicate the entity's risk management policy for each of those types of hedges, including a description of the items or transactions for which risks are hedged?	_____	_____	_____

¹⁷ For issuers, as prescribed by the rules of the SEC, the SEC issued SAB No. 105, *Application of Accounting Principles to Loan Commitments* (Codification of Staff Accounting Bulletins, Topic 5—*Miscellaneous Accounting*, Section DD—*Loan Commitments Accounted for as Derivative Instruments*), which provides guidance on loan commitments accounted for as derivatives. Additionally, the AICPA has published a Practice Aid, *Illustrative Disclosures on Derivative Loan Commitments*, which provides illustrations of disclosures of derivative loan commitments in accordance with the reporting and disclosure guidance cited in SAB 105.

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|------------|
| 4. For derivative instruments not designated as hedging instruments, does the description indicate the purpose of the derivative activity? | _____ | _____ | _____ |
| 5. Qualitative disclosures about an entity's objectives and strategies for using derivative instruments may be more meaningful if such objectives and strategies are described in the context of an entity's overall risk management profile. If appropriate, an entity is encouraged, but not required , to provide such additional qualitative disclosures. Have such disclosures been made?
[SFAS 133, par. 44 (AC D50)] | _____ | _____ | _____ |
| 6. Do the entity's disclosures for every reporting period for which a complete set of financial statements is presented also include the following: | | | |

Fair value hedges

- a. For derivative instruments, as well as nonderivative instruments that may give rise to foreign currency transaction gains or losses under SFAS 52, that have been designated and have qualified as fair value hedging instruments and for the related hedged items:

- | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| (1) The net gain or loss recognized in earnings during the reporting period representing (a) the amount of the hedges' ineffectiveness and (b) the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness, and a description of where the net gain or loss is reported in the statement of income or other statement of financial performance? | _____ | _____ | _____ |
| (2) The amount of net gain or loss recognized in earnings when a hedged firm commitment no longer qualifies as a fair value hedge?
[SFAS 133, par. 45a (AC D50)] | _____ | _____ | _____ |

Cash flow hedges

- b. For derivative instruments that have been designated and have qualified as cash flow hedging instruments and for the related hedged transactions:

- | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| (1) The net gain or loss recognized in earnings during the reporting period representing (a) the amount of the hedges' ineffectiveness and (b) the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness, and a description of where the net gain or loss is reported in the statement of income or other statement of financial performance? | _____ | _____ | _____ |
| (2) A description of the transactions or other events that will result in the reclassification into earnings of gains and losses that are reported in accumulated other comprehensive income, and the estimated net amount of the existing gains or losses at the reporting date that is expected to be reclassified into earnings within the next 12 months? | _____ | _____ | _____ |
| (3) The maximum length of time over which the entity is hedging its exposure to the variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payment of variable interest on existing financial instruments? | _____ | _____ | _____ |

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|------------|
| (4) The amount of gains and losses reclassified into earnings as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur by the end of the originally specified time period (as documented at the inception of the hedging relationship) or within an additional two-month period of time thereafter?
[SFAS 133, par. 45b, as amended by SFAS 138, par. 4r (AC D50)] | _____ | _____ | _____ |

Hedges of the net investment in a foreign operation

- | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| c. For derivative instruments, as well as nonderivative instruments that may give rise to foreign currency transaction gains or losses under SFAS 52, that have been designated and have qualified as hedging instruments for hedges of the foreign currency exposure of a net investment in a foreign operation, the net amount of gains or losses included in the cumulative translation adjustment during the reporting period?
[SFAS 133, par. 45c (AC D50)] | _____ | _____ | _____ |
| 7. The quantitative disclosures about derivative instruments may be more useful, and less likely to be perceived to be out of context or otherwise misunderstood, if similar information is disclosed about other financial instruments or nonfinancial assets and liabilities to which the derivative instruments are related by activity. Accordingly, in such situations, has the entity presented a more complete picture of its activities by disclosing that information? (<i>Encouraged, but not required.</i>)
[SFAS 133, par. 45 (AC D50)] | _____ | _____ | _____ |

Certain Hybrid Financial Instruments

Note: SFAS 155, *Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140*, is effective for all financial instruments acquired, issued, or subject to a remeasurement (new basis) event occurring after the beginning of an entity's first fiscal year that begins after September 15, 2006. The fair value election provided for in paragraph 4(c) of SFAS 155 may also be applied upon adoption of the Statement for hybrid financial instruments that had been bifurcated under paragraph 12 of SFAS 133 prior to the adoption of SFAS 155. Earlier adoption is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued financial statements, including financial statements for any interim period, for that fiscal year. At adoption, any difference between the total carrying amount of the individual components of the existing bifurcated hybrid financial instrument and the fair value of the combined hybrid financial instrument shall be recognized as a cumulative-effect adjustment to beginning retained earnings. An entity shall separately disclose the gross gains and losses that make up the cumulative-effect adjustment, determined on an instrument-by-instrument basis. Prior periods shall not be restated. SFAS 155 provides a fair value measurement election for certain hybrid financial instruments with embedded derivatives that otherwise would require bifurcation. Hybrid financial instruments that are elected to be accounted for in their entirety at fair value cannot be used as a hedge instrument in a SFAS 133 hedge.

8. If the entity measures hybrid instruments (financial instruments containing embedded derivatives) at fair value in accordance with the election in SFAS 155 or the practicability exception in SFAS 133, is the aggregate fair value of those instruments reported separately *on the*

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
face of the statement of financial position from the aggregate carrying amounts of assets and liabilities measured using another measurement attribute? (Only answer the following part to question 8 if SFAS 159 has been adopted. Effective date information is included in section AA "Fair Value Measurements" of this checklist.) For those hybrid financial instruments measured at fair value under the election and under the practicability exception in paragraph 16 of SFAS 133, does an entity also disclose the information specified in paragraphs 18–22 of SFAS 159, <i>The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115</i> ? [SFAS 133, par. 44A, as amended by SFAS 155, par. 4E and SFAS 159 (AC D50.141A)]	_____	_____	_____
9. Has the entity provided information that will allow users to understand the effect of changes in the fair value of hybrid financial instruments measured at fair value? [SFAS 133, par. 44B, as amended by SFAS 155, par. 4E (AC D50.141B)]	_____	_____	_____
Disclosures About Fair Value of Financial Instruments			
10. Has the entity disclosed, either in the body of the financial statements or in the accompanying notes, ¹⁸ the fair value of financial instruments (except for those excluded in paragraphs 8 and 13 of SFAS 107) for which it is practicable to estimate fair value? [SFAS 107, par. 10, as amended by SFAS 157 (AC F25)]	_____	_____	_____
11. Has the fair value disclosed in the notes been presented together with the related carrying amount in a form that makes it clear whether the fair value and carrying amount represent assets or liabilities and how the carrying amounts relate to what is reported in the statement of financial position? [SFAS 107, par. 10, as amended by SFAS 157 (AC F25)]	_____	_____	_____
12. In disclosing the fair value of a financial instrument, has the entity taken care not to net that fair value with the fair value of other financial instruments—even if those financial instruments are of the same class or are otherwise considered to be related, for example, by a risk management strategy—except to the extent that the offsetting of carrying amounts in the statement of financial position is permitted under the general principle in paragraphs 5 and 6 of FASBI 39, <i>Offsetting of Amounts Related to Certain Contracts</i> , or the exceptions for master netting arrangements in paragraph 10 of FASBI 39 and for amounts related to certain repurchase and reverse repurchase agreements in paragraphs 3 and 4 of FASBI 41, <i>Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements</i> ? [SFAS 107, par. 14 (AC F25)]	_____	_____	_____
13. If it is not practicable to estimate the fair value of a financial instrument or a class of financial instruments, are the following disclosed:			
a. Information pertinent to estimating the fair value of that financial instrument or class of financial instruments, such as the carrying amount, effective interest rate, and maturity?	_____	_____	_____
b. The reasons why it is not practicable to estimate fair value? [SFAS 107, par. 14 (AC F25)]	_____	_____	_____

¹⁸ If disclosed in more than a single note, one of the notes shall include a summary table. The summary table shall contain the fair value and related carrying amounts and cross-references to the location(s) of the remaining disclosures required by this Statement as amended.

Yes No N/A

Note: SFAS 126, *Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities*, as amended, makes the disclosures about fair values of financial instruments prescribed in SFAS 107 optional for reporting entities that:

- a. Are nonpublic entities.
- b. Have total assets of less than \$100 million on the date of the financial statements.
- c. Have no instrument that, in whole or in part, is accounted for as a derivative instrument under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, other than commitments related to the origination of mortgage loans to be held for sale during the reporting period.

Disclosure About Concentrations of Credit Risk of All Financial Instruments

14. Except as indicated in paragraph 15b¹⁹ of SFAS 107, has the entity disclosed all significant concentrations of credit risk arising from all financial instruments, whether from an individual counterparty or groups of counterparties? (Group concentrations of credit risk exist if a number of counterparties are engaged in similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.) [SFAS 107, par. 15a (AC F25)] _____

15. Has the entity made the following disclosures about each significant concentration:
 - a. Information about the (shared) activity, region, or economic characteristic that identifies the concentration? _____

 - b. The maximum amount of loss due to credit risk that, based on the gross fair value of the financial instrument, the entity would incur if parties to the financial instruments that make up the concentration failed completely to perform according to the terms of the contracts and the collateral or other security, if any, for the amount due proved to be of no value to the entity? _____

 - c. The entity's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the entity's access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those financial instruments? _____

 - d. The entity's policy of entering into master netting arrangements to mitigate the credit risk of financial instruments, information about the arrangements for which the entity is a party, and a brief description of the terms of those arrangements, including the

¹⁹ SFAS 107 paragraph 15b provides that these disclosure requirements do not apply to the following financial instruments, whether written or held:

- a. Financial instruments of a pension plan, including plan assets, when subject to the accounting and reporting requirements of SFAS 87 (financial instruments of a pension plan, other than the obligations for pension benefits, when subject to the accounting and reporting requirements of SFAS 35, *Accounting and Reporting by Defined Benefit Pension Plans*, are subject to the reporting of paragraph 15a).
- b. The financial instruments described in paragraphs 8a, 8c, 8e, and 8f of SFAS 107, as amended by SFAS 112, *Employers' Accounting for Postemployment Benefits*, SFAS 123, *Accounting for Stock-Based Compensation*, and SFAS 140, except for reinsurance receivables and prepaid reinsurance premiums.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
extent to which they would reduce the entity's maximum amount of loss due to credit risk? [SFAS 107, par. 15a (AC F25)]	_____	_____	_____
16. Has the entity disclosed quantitative information ²⁰ about the market risks of financial instruments that is consistent with the way it manages or adjusts those risks? (<i>Encouraged, but not required.</i>) [SFAS 107, par. 15c (AC F25)]	_____	_____	_____
17. Are the classification and presentation consensuses reached in EITF 00-19, regarding derivative financial instruments indexed to, and potentially settled in, a company's own stock complied with? [EITF 00-19]	_____	_____	_____

Note: SFAS 155 amended SFAS 133 in February 2006. SFAS 155 provides a fair value measurement election for certain hybrid financial instruments with embedded derivatives that otherwise would require bifurcation. Hybrid financial instruments that are elected to be accounted for in their entirety at fair value cannot be used as a hedge instrument in a SFAS 133 hedge.

[SFAS 155, App. B]

FASB Staff Position EITF No. 00-19-2, *Accounting for Registration Payment Arrangements*, was issued on December 21, 2006. Readers **must** refer to paragraphs 16–22 of the FSP for the effective date and transition requirements. For further guidance readers may refer to appendix A of the FSP which provides examples to illustrate the application of the accounting provisions to various types of registration payment arrangements.

Important: The disclosures in Question 16 below are incremental to the disclosures that may be required under other applicable GAAP and are required even if the likelihood of the issuer having to make any payments under the arrangement is remote.

- | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 18. Does the issuer of a registration payment arrangement disclose the following information about each registration payment arrangement or each group of similar arrangements: | | | |
| a. The nature of the registration payment arrangement, including the approximate term of the arrangement, the financial instrument(s) subject to the arrangement, and the events or circumstances that would require the issuer to transfer consideration under the arrangement? | _____ | _____ | _____ |
| b. Any settlement alternatives contained in the terms of the registration payment arrangement, including the party that controls the settlement alternatives? | _____ | _____ | _____ |
| c. The maximum potential amount of consideration, undiscounted, that the issuer could be required to transfer under the registration | | | |

²⁰ Appropriate ways of reporting the quantitative information encouraged will differ for different entities and will likely evolve over time as management approaches and measurement techniques evolve. Possibilities include disclosing (a) more details about current positions and perhaps activity during the period, (b) the hypothetical effects on comprehensive income (or net assets), or annual income, of several possible changes in market prices, (c) a gap analysis of interest rate repricing or maturity dates, (d) the duration of the financial instruments, or (e) the entity's value at risk from derivatives and from other positions at the end of the reporting period and the average value at risk during the year. This list is not exhaustive, and an entity is encouraged to develop other ways of reporting quantitative information.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
payment arrangement (including the maximum number of shares that may be required to be issued). If the terms of the arrangement provide for no limitation to the maximum potential consideration (including shares) to be transferred, is that fact disclosed?	_____	_____	_____
d. The current carrying amount of the liability representing the issuer's obligations under the registration payment arrangement and the income statement classification of any gains or losses resulting from changes in the carrying amount of that liability? [FSP EITF 00-19-2, paragraph 12]	_____	_____	_____
19. Are gains and losses (realized and unrealized) on all derivative instruments within the scope of SFAS 133 shown net when recognized in the income statement, whether or not settled physically, if the derivative instruments are held for trading purposes? [EITF 02-3]	_____	_____	_____
Note: SFAS 155 amended SFAS 133 in February 2006. SFAS 155 provides a fair value measurement election for certain hybrid financial instruments with embedded derivatives that otherwise would require bifurcation. Hybrid financial instruments that are elected to be accounted for in their entirety at fair value cannot be used as a hedge instrument in a SFAS 133 hedge. [SFAS 155, App. B]			
20. If derivative transactions are entered into in connection with the issuance of contingently convertible securities, do disclosures of the potential impact of the contingently convertible securities include the terms of those derivative transactions (including the terms of settlement), how those transactions relate to the contingently convertible securities, and the number of shares underlying the derivatives? [FSP 129-1, par. 5 (AC C24.806)]	_____	_____	_____
Disclosures About Certain Financial Instruments With Characteristics of Both Liabilities and Equity			
Important: Depending upon whether an entity is a nonpublic entity, a public entity, or an SEC registrant, FSP 150-3 defers the effective date for applying the provisions of SFAS 150, <i>Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity</i> . Readers should read FSP 150-3 to understand the various effective dates of SFAS 150. FSP 150-3 is available at the FASB Web site at www.fasb.org .			
Early adoption of the provisions of SFAS 150 for instruments within the scope of the indefinite deferrals established by FSP 150-3 is precluded during the deferral period.			
During the deferral period, all public entities as well as nonpublic entities that are SEC registrants are required to follow the disclosure requirements in paragraphs 26 and 27 of SFAS 150 (Questions 24 and 25 below) as well as disclosures required by other applicable guidance.			
21. For items within the scope of SFAS 150, are they presented as liabilities (or assets in some circumstances), and are those items not presented between the liabilities section and the equity section of the statement of financial position? [SFAS 150, par. 18 (AC F41.116)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
22. If the entity has no equity instruments outstanding but has financial instruments in the form of shares, all of which are mandatorily redeemable financial instruments:			
a. Are they classified as liabilities?	_____	_____	_____
b. Are they described in the statement of financial position as "shares subject to mandatory redemption"?	_____	_____	_____
c. Are payments to holders of such instruments and related accruals presented separately from payments to and interest due to other creditors in statements of cash flows and income? [SFAS 150, pars. 19 and 28 (AC F41.117 and .126)]	_____	_____	_____
23. Do the entities referred to in Question 22 above disclose the components of the liability that would otherwise be related to shareholders' interest and other comprehensive income, if any, subject to the redemption feature (for example, par value and other paid-in amounts of mandatorily redeemable instruments should be disclosed separately from the amount of retained earnings or accumulated deficit)? [SFAS 150, par. 28 (AC F41.126)]	_____	_____	_____
24. For issuers of financial instruments within the scope of SFAS 150:			
a. Are the nature and terms of the financial instruments and the rights and obligations embodied in those instruments disclosed?	_____	_____	_____
b. Does that disclosure include information about settlement alternatives, if any, in the contract and identify the entity that controls the settlement alternatives? [SFAS 150, par. 26 (AC F41.124)]	_____	_____	_____
25. For all outstanding financial instruments within the scope of SFAS 150 and for each settlement alternative, do issuers disclose:			
a. The amount that would be paid, or the number of shares that would be issued and their fair value, determined under the conditions specified in the contract if the settlement were to occur at the reporting date?	_____	_____	_____
b. How changes in the fair value of the issuer's equity shares would affect those settlement amounts (for example, "the issuer is obligated to issue an additional x shares or pay an additional y dollars in cash for each \$1 decrease in the fair value of one share")?	_____	_____	_____
c. The maximum amount that the issuer could be required to pay to redeem the instrument by physical settlement, if applicable?	_____	_____	_____
d. The maximum number of shares that could be required to be issued, if applicable?	_____	_____	_____
e. That a contract does not limit the amount that the issuer could be required to pay or the number of shares that the issuer could be required to issue, if applicable?	_____	_____	_____
f. For a forward contract or an option indexed to the issuer's equity shares, the forward price or option strike price, the number of issuer's shares to which the contract is indexed, and the settlement date or dates of the contract, as applicable? [SFAS 150, par. 27 (AC F41.125)]	_____	_____	_____
26. Are mandatorily redeemable financial instruments classified as liabilities unless the redemption is required to occur only upon the liquidation or termination of the reporting entity? [SFAS 150, par. 9 (AC F41.107)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
27. Are financial instruments, other than an outstanding share, that, at inception, (a) embodies an obligation to repurchase the issuer's equity shares, or is indexed to such an obligation, and (b) requires or may require the issuer to settle the obligation by transferring assets, classified as liabilities (or assets in some circumstances)? [SFAS 150, par. 11 (AC F41.109)]	_____	_____	_____
28. Are financial instruments that embody an unconditional obligation, or financial instruments other than an outstanding share that embodies a conditional obligation, that the issuer must or may settle by issuing a variable number of its equity shares, classified as liabilities (or assets in some circumstances) if, at inception, the monetary value of the obligation is based solely or predominantly on any one of the items indicated in paragraph 12 of SFAS 150? [SFAS 150, par. 12 (AC F41.110)]	_____	_____	_____
<i>Related to the Adoption of SFAS 150</i>			
29. Is the cumulative transition adjustment and any subsequent adjustment reported as an excess of liabilities over assets (a deficit) and changes thereto even though the mandatorily redeemable shares are reported as a liability? [FSP FAS 150-2 (AC C41.809-.810)]	_____	_____	_____
30. Is the resulting change in the amount of the mandatorily redeemable shares, depending on the settlement terms, either measured at the present value of the amount to be paid at settlement or the amount of cash that would be paid under the conditions specified in the contract if settlement occurred at the reporting date recognized as interest cost (change in redemption amount)? [FSP FAS 150-2 (AC C41.809-.810)]	_____	_____	_____
31. Although the disclosure requirements of SFAS 150 do not apply for those mandatorily redeemable instruments of certain nonpublic companies while application of the provisions of SFAS 150 to those instruments is deferred, are the disclosure requirements regarding "Capital Structure: Disclosures" in paragraph 4 of SFAS 129, in particular, information about the pertinent rights and privileges of the various securities outstanding, including mandatory redemption requirements, still disclosed? [FSP FAS 150-3]	_____	_____	_____
32. Although the disclosure requirements of SFAS 150 do not apply for those mandatorily redeemable instruments of certain nonpublic companies while application of the provisions of SFAS 150 to those instruments is deferred, are the disclosure requirements regarding "Capital Structure: Disclosures" in paragraph 8 of SFAS 129, which requires disclosure of the amount of redemption requirements for all issues of stock that are redeemable at fixed or determinable prices on fixed or determinable dates in each of the next five years, still disclosed? [FSP FAS 150-3]	_____	_____	_____
33. During the deferral period, if the entity is a public entity or a nonpublic entity that is an SEC registrant, are the disclosure requirements in paragraphs 26 and 27 of SFAS 150 as well as disclosures required by other applicable guidance complied with? [FSP FAS 150-3]	_____	_____	_____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|------------|
| 34. For instruments that are within the scope of EITF 05-2, are the applicable disclosures required by SFAS 129 included by the entity?
[EITF 05-2, par. 10] | _____ | _____ | _____ |
| 35. Weather derivative contracts within the scope of EITF 99-2 are financial instruments, therefore, are the existing GAAP disclosures for financial instruments such as those required in SFAS 107 included?
[EITF 99-2] | _____ | _____ | _____ |

M. Foreign Currency

- | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. Is the aggregate transaction gain or loss included in net income for the period disclosed? (<i>Note:</i> For this disclosure, gains and losses on derivative instruments shall comply with paragraph 45 of SFAS 133.)
[SFAS 52, par. 30, as amended by SFAS 133 (AC F60.140)] | _____ | _____ | _____ |
| 2. Is an analysis of changes during the period in the accumulated amount of translation adjustments reported in equity, included, and does it disclose: | | | |
| a. Beginning and ending amounts of cumulative translation adjustments? | _____ | _____ | _____ |
| b. The aggregate adjustment for the period resulting from translation adjustments and gains and losses from certain hedges and inter-company balances? | _____ | _____ | _____ |
| c. The amount of income taxes for the period allocated to translation adjustments? | _____ | _____ | _____ |
| d. The amounts transferred from cumulative translation adjustments and included in the determination of net income for the period as a result of the sale or complete or substantially complete liquidation of an investment in a foreign entity?
[SFAS 52, par. 31 (AC F60.141)] | _____ | _____ | _____ |
| 3. Are rate changes occurring after the date of the financial statements and the effects on unsettled balances related to foreign currency translations disclosed, if significant?
[SFAS 52, par. 32 (AC F60.142)] | _____ | _____ | _____ |
| 4. Are any foreign earnings reported in addition to amounts received in the U.S. disclosed, if significant?
[ARB 43, Ch. 12, par. 5 (AC F65.102)] | _____ | _____ | _____ |

N. Impairment of Long-Lived Assets to Be Held and Used

- | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. Is an impairment loss recognized for a long-lived asset (asset group) to be held and used included in income from continuing operations before income taxes in the income statement of a business enterprise?
[SFAS 144, par. 25 (AC I08.160)] | _____ | _____ | _____ |
| 2. Is the following information disclosed in the notes to the financial statements that include the period in which an impairment loss is recognized: | | | |
| a. A description of the impaired long-lived asset (asset group) and the facts and circumstances leading to the impairment? | _____ | _____ | _____ |
| b. If not separately presented on the face of the statement, the amount of the impairment loss and the caption in the income statement that includes the loss? | _____ | _____ | _____ |

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|------------|
| c. The method or methods for determining fair value (whether based on a quoted market price, prices for similar assets, or another valuation technique)? | _____ | _____ | _____ |
| d. If applicable, the segment in which the impaired long-lived asset (asset group) is reported under SFAS 131, <i>Disclosures about Segments of an Enterprise and Related Information</i> ?
[SFAS 144, par. 26 (AC I08.161)] | _____ | _____ | _____ |

Note: EITF 03-13 should be applied to a component of an enterprise that is either disposed of or classified as held for sale in fiscal periods beginning after December 15, 2004. Operating results related to a component that is disposed of or classified as held for sale within an enterprise's fiscal year that includes the date that this consensus is ratified may be classified to reflect the consensus.

- | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 3. If the occurrence of a significant event or circumstance at any time during the assessment period results in an expectation that the criteria in paragraph 42 of EITF 03-13 will be met by the end of the assessment period, is the component's operations presented as discontinued operations?
[EITF 03-13, par. 13] | _____ | _____ | _____ |
| 4. Is the following information disclosed in the notes to the financial statements for each discontinued operation that generates continuing cash flows: | | | |
| a. The nature of the activities that give rise to continuing cash flows? | _____ | _____ | _____ |
| b. The period of time continuing cash flows are expected to be generated? and | _____ | _____ | _____ |
| c. The principal factors used to conclude that the expected continuing cash flows are not direct cash flows of the disposed component?
[EITF 03-13, par. 17] | _____ | _____ | _____ |
| 5. Additionally, for each discontinued operation in which the ongoing entity will engage in a "continuation of activities" with the disposed component after its disposal and for which the amounts presented in continuing operations after the disposal transaction include a continuation of revenues and expenses that were intercompany transactions (eliminated in consolidated financial statements) before the disposal transaction, are the intercompany amounts before the disposal transaction disclosed for all periods presented?
[EITF 03-13, par. 17] | _____ | _____ | _____ |
| 6. Are the types of continuing involvement, if any, that the entity will have after the disposal transaction disclosed? Also, is that information disclosed in the period in which operations are initially classified as discontinued?
[EITF 03-13, par. 17] | _____ | _____ | _____ |

O. Long-Lived Assets and Disposal Groups to Be Disposed Of

Reporting Discontinued Operations

- Are the results of operations of a *component of an entity* (as that phrase is defined in SFAS 144) that either has been disposed of or is classified as held for sale reported in discontinued operations in accordance with paragraph 43 of SFAS 144 (Questions 2, 3, 4, and 5 below) if both of the following conditions are met:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The operations and cash flows of the component have been (or will be) eliminated from the ongoing operations of the entity as a result of the disposal transaction? and	_____	_____	_____
b. The entity will not have any significant continuing involvement in the operations of the component after the disposal transaction? [SFAS 144, par. 42 (AC I14.102)]	_____	_____	_____
2. In a period in which a component of an entity either has been disposed of or is classified as held for sale, does the income statement for current and prior periods report the results of operations of the component, including any gain or loss recognized in accordance with paragraph 37 of SFAS 144, in discontinued operations? [SFAS 144, par. 43 (AC I14.103)]	_____	_____	_____
3. Are the results of operations of a component classified as held for sale reported in discontinued operations in the period(s) in which they occur? [SFAS 144, par. 43 (AC I14.103)]	_____	_____	_____
4. Are the results of discontinued operations, less applicable income taxes (benefit), reported as a separate component of income before extraordinary items and the cumulative effect of accounting changes (if applicable)? [SFAS 144, par. 43 (AC I14.103)]	_____	_____	_____
5. Is the gain or loss recognized on the disposal disclosed either on the face of the income statement or in the notes to the financial statements? [SFAS 144, par. 43 (AC I14.103)]	_____	_____	_____
6. Are adjustments to amounts previously reported in discontinued operations that are directly related to the disposal of a component of an entity in a prior period classified separately in the current period in discontinued operations? [SFAS 144, par. 44 (AC I14.104)]	_____	_____	_____
7. Are the nature and amount of such adjustments (as discussed in Question 6 above) disclosed? [SFAS 144, par. 44 (AC I14.104)]	_____	_____	_____

Reporting Disposal Gains or Losses in Continuing Operations

8. Is a gain or loss, that is recognized on the sale of a long-lived asset (disposal group) that is not a component of an entity, included in income from continuing operations before income taxes in the income statement? [SFAS 144, par. 45 (AC D60.118)]	_____	_____	_____
9. If a subtotal such as "income from operations" is presented, does it include the amounts of those gains or losses considered in Question 8 above? [SFAS 144, par. 45 (AC D60.118)]	_____	_____	_____

Reporting a Long-Lived Asset or Disposal Group Sold or Classified as Held for Sale

10. If the criteria of paragraph 30 of SFAS 144 are met (and thus a long-lived asset is classified as held for sale) after the balance sheet date but before issuance of the financial statements, does the long-lived asset continue to be classified as held and used in those financial			
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
statements when issued and is the information required by paragraph 47(a) of SFAS 144 (Question 15a below) disclosed in the notes to the financial statements? [SFAS 144, par. 33 (AC D60.110)]	_____	_____	_____
11. Is a long-lived asset that is classified as held for sale presented separately in the statement of financial position? [SFAS 144, par. 46 (AC D60.119)]	_____	_____	_____
12. Are the assets and liabilities of a disposal group that is classified as held for sale presented separately in the asset and liability sections, respectively, of the statement of financial position? [SFAS 144, par. 46 (AC D60.119)]	_____	_____	_____
13. Are those assets and liabilities considered in Question 12 above, <u>not</u> offset and presented as a single amount? [SFAS 144, par. 46 (AC D60.119)]	_____	_____	_____
14. Are the major classes of assets and liabilities that are classified as held for sale separately disclosed either on the face of the statement of financial position or in the notes to financial statements? [SFAS 144, par. 46 (AC D60.119)]	_____	_____	_____
15. Is the following information disclosed in the notes to the financial statements that cover the period in which a long-lived asset (disposal group) either has been sold or is classified as held for sale:			
a. A description of the facts and circumstances leading to the expected disposal, the expected manner and timing of that disposal, and, if not separately presented on the face of the statement, the carrying amount(s) of the major classes of assets and liabilities included as part of a disposal group?	_____	_____	_____
b. The gain or loss recognized in accordance with paragraph 37 of SFAS 144 and if not separately presented on the face of the income statement, the caption in the income statement that includes that gain or loss?	_____	_____	_____
c. If applicable, amounts of revenue and pretax profit or loss reported in discontinued operations?	_____	_____	_____
d. If applicable, the segment in which the long-lived asset (disposal group) is reported under SFAS 131? [SFAS 144, par. 47 (AC D60.120 and I14.105)]	_____	_____	_____
16. If either paragraph 38 or 40 of SFAS 144 applies, is a description of the facts and circumstances leading to the decision to change the plan to sell the long-lived asset (disposal group) and its effect on the results of operations for the period and any prior periods presented disclosed in the notes to the financial statements that include the period of that decision? [SFAS 144, par. 48 (AC D60.121 and I14.106)]	_____	_____	_____
17. If a long-lived asset is to be disposed of other than by sale, does it continue to be classified as held and used until it is disposed of? [SFAS 144, par. 27, as amended by SFAS 153 (AC D60.104)]	_____	_____	_____

P. Transfers and Servicing of Financial Assets and Securitizations

Note: SFAS 156, *Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140*, among other matters, amends the disclosure requirements of SFAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125*. The Statement is effective as of the beginning of its first fiscal year that begins after September 15, 2006. Earlier adoption is permitted under certain conditions. If SFAS 156 has been adopted, the practitioner should refer to section P1.

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|------------|
| 1. Is the policy for requiring collateral or other security disclosed if the entity has entered into repurchase agreements or securities lending transactions?
[SFAS 140, par. 17(a) (AC F39.110a)] | _____ | _____ | _____ |
| 2. If it is not practicable to estimate the fair value of certain assets obtained or liabilities incurred in transfers of financial assets during the period, are those items and the reasons why it is not practicable to estimate fair value described in the notes to the financial statements?
[SFAS 140, par. 17(d) (AC F39.110b)] | _____ | _____ | _____ |
| 3. For all servicing assets and servicing liabilities are the following disclosures made: | | | |
| a. The amounts of servicing assets or liabilities recognized and amortized during the period? | _____ | _____ | _____ |
| b. The fair value of recognized servicing assets and liabilities for which it is practicable to estimate that value and the method and significant assumptions used to estimate the fair value? | _____ | _____ | _____ |
| c. The risk characteristics of the underlying financial assets used to stratify recognized servicing assets for purposes of measuring impairment in accordance with paragraph 63 of SFAS 140? | _____ | _____ | _____ |
| d. The activity in any valuation allowance for impairment of recognized servicing assets—including beginning and ending balances, aggregate additions charged and reductions credited to operations, and aggregate direct write-downs charged against the allowances—for each period for which results of operations are presented?
[SFAS 140, par. 17(e) (AC F35.102a)] | _____ | _____ | _____ |
| 4. If the entity has securitized financial assets during any period presented and accounts for that transfer as a sale, are the following items disclosed for each major asset type: | | | |
| a. Its accounting policies for initially measuring the retained interests, if any, including the methodology (whether quoted market price, prices based on sales of similar assets and liabilities, or prices based on valuation techniques) used in determining their fair value? | _____ | _____ | _____ |
| b. The characteristics of securitizations (a description of the transferor's continuing involvement with the transferred assets, including, but not limited to, servicing, recourse, and restrictions on retained interests) and the gain or loss from sale of financial assets in securitizations? | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. The key assumptions [†] used in measuring the fair value of retained interests at the time of securitization (including, at a minimum, quantitative information about discount rates, expected prepayments including the expected weighted-average life of prepayable financial assets, and anticipated credit losses, if applicable)?	_____	_____	_____
d. Cash flows between the securitization SPE and the transferor, unless reported separately elsewhere in the financial statements or notes (including proceeds from new securitizations, proceeds from collections reinvested in revolving-period securitizations, purchases of delinquent or foreclosed loans, servicing fees, and cash flows received on interests retained)? [SFAS 140, par. 17(f) (AC F39.110c)]	_____	_____	_____
5. If the entity has retained interests in securitized financial assets at the date of the latest statement of financial position presented, are the following items disclosed for each major asset type:			
a. Its accounting policies for subsequently measuring those retained interests, including the methodology (whether quoted market price, prices based on sales of similar assets and liabilities, or prices based on valuation techniques) used in determining their fair value?	_____	_____	_____
b. The key assumptions used in subsequently measuring the fair value of those interests (including, at a minimum, quantitative information about discount rates, expected prepayments including the expected weighted-average life of prepayable financial assets, and anticipated credit losses, including expected static pool losses, if applicable)?	_____	_____	_____
c. A sensitivity analysis or stress test showing the hypothetical effect on the fair value of those interests of two or more unfavorable variations from the expected levels for each key assumption that is reported under b. above independently from any change in another key assumption, and a description of the objectives, methodology, and limitations of the sensitivity analysis or stress test?	_____	_____	_____
d. For the securitized assets and any other financial assets that it manages together with them: [‡]			
(1) The total principal amount outstanding, the portion that has been derecognized, and the portion that continues to be recognized in each category reported in the statement of financial position, at the end of the period?	_____	_____	_____
(2) Delinquencies at the end of the period?	_____	_____	_____
(3) Credit losses, net of recoveries, during the period?	_____	_____	_____
Disclosure of average balances during the period is encouraged, but not required. [SFAS 140, par. 17(g) (AC F39.110d)]			

[†] If an entity has made multiple securitizations of the same major asset type during a period, it may disclose the range of assumptions.

[‡] Excluding securitized assets that an entity continues to service but with which it has no other continuing involvement.

Collateral

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|------------|
| 6. If the entity has pledged any of its assets as collateral that are not reclassified and separately reported in the statement of financial position pursuant to paragraph 15(a) of SFAS 140, is the carrying amount and classification of those assets as of the date of the latest statement of financial position presented?
[SFAS 140, par. 17(a)(2) (AC F39.110a)] | _____ | _____ | _____ |
| 7. If the entity has accepted collateral that it is permitted by contract or custom to sell or repledge, is the fair value, as of the date of each statement of financial position presented, of that collateral and of the portion of that collateral that it has sold or repledged disclosed?
[SFAS 140, par. 17(a)(3) (AC F39.110a)] | _____ | _____ | _____ |
| 8. Is information about the sources and uses of that collateral, as of the date of each statement of financial position presented, disclosed?
[SFAS 140, par. 17(a)(3) (AC F39.110a)] | _____ | _____ | _____ |

P1. Accounting for Servicing Financial Assets

- | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. If it is not practicable to estimate the fair value of certain assets obtained or liabilities incurred in transfers of financial assets during the period, are those items and the reasons why it is not practicable to estimate fair value described in the notes to the financial statements?
[SFAS 140, par. 17d (AC F39.110b)] | _____ | _____ | _____ |
| 2. For all servicing assets and servicing liabilities, are the following disclosures made: | | | |
| a. Management's basis for determining its classes of servicing assets and servicing liabilities per SFAS 140 paragraph 13A, as amended? | _____ | _____ | _____ |
| b. A description of the risks inherent in servicing assets and servicing liabilities and, if applicable, the instruments used to mitigate the income statement effect of changes in fair value of the servicing assets and servicing liabilities? (Disclosure of quantitative information about the instruments used to manage the risks inherent in servicing assets and servicing liabilities, including the fair value of those instruments at the beginning and end of the period, is encouraged but not required.) | _____ | _____ | _____ |
| c. The amount of contractually specified servicing fees (as defined in the glossary of SFAS 156), late fees, and ancillary fees earned for each period for which results of operations are presented, including a description of where each amount is reported in the statement of income?
[SFAS 140, par. 17e, as amended by SFAS 156] | _____ | _____ | _____ |
| 3. For servicing assets and servicing liabilities measured at fair value, are the following disclosures made: | | | |
| a. For each class of servicing assets and servicing liabilities, the activity in the balance of servicing assets and the activity in the balance of servicing liabilities (including a description of where changes in fair value are reported in the statement of income for each period for which results of operations are presented), including, but not limited to, the following: | | | |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(1) The beginning and ending balances?	_____	_____	_____
(2) Additions (through purchases of servicing assets, assumptions of servicing obligations, and servicing obligations that result from transfers of financial assets)?	_____	_____	_____
(3) Disposals?	_____	_____	_____
(4) Changes in the fair value during the period resulting from changes in valuation inputs or assumptions used in the valuation model?	_____	_____	_____
(5) Changes in the fair value during the period resulting from other changes in fair value and a description of those changes?	_____	_____	_____
(6) Other changes that affect the balance and a description of those changes?	_____	_____	_____
b. A description of the valuation techniques or other methods used to estimate the fair value of servicing assets and servicing liabilities. If a valuation model is used, the description shall include the methodology and model validation procedures, as well as quantitative and qualitative information about the assumptions used in the valuation model (for example, discount rates and prepayment speeds)? (An entity that provides quantitative information about the instruments used to manage the risks inherent in the servicing assets and servicing liabilities, as encouraged by paragraph 17(e)(2), is also encouraged, but not required, to disclose a description of the valuation techniques, as well as quantitative and qualitative information about the assumptions used to estimate the fair value of those instruments.) [SFAS 140, par. 17f, as amended by SFAS 156]	_____	_____	_____
4. For servicing assets and servicing liabilities subsequently amortized in proportion to and over the period of estimated net servicing income or loss and assessed for impairment or increased obligation:			
a. For each class of servicing assets and servicing liabilities, the activity in the balance of servicing assets and the activity in the balance of servicing liabilities (including a description of where changes in the carrying amount are reported in the statement of income for each period for which results of operations are presented), including, but not limited to, the following:			
(1) The beginning and ending balances?	_____	_____	_____
(2) Additions (through purchases of servicing assets, assumption of servicing obligations, and servicing obligations that result from transfers of financial assets)?	_____	_____	_____
(3) Disposals?	_____	_____	_____
(4) Amortization?	_____	_____	_____
(5) Application of valuation allowance to adjust carrying value of servicing assets?	_____	_____	_____
(6) Other-than-temporary impairments?	_____	_____	_____
(7) Other changes that affect the balance and a description of those changes?	_____	_____	_____
b. For each class of servicing assets and servicing liabilities, the fair value of recognized servicing assets and servicing liabilities at the			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
beginning and end of the period if it is practicable to estimate the value?	_____	_____	_____
c. A description of the valuation techniques or other methods used to estimate fair value of the servicing assets and servicing liabilities? If a valuation model is used, the description shall include the methodology and model validation procedures, as well as quantitative and qualitative information about the assumptions used in the valuation model (for example, discount rates and prepayment speeds)? (An entity that provides quantitative information about the instrument used to manage the risks inherent in the servicing assets and servicing liabilities, as encouraged by paragraph 17(e)(2), is also encouraged, but not required, to disclose a description of the valuation techniques as well as quantitative and qualitative information about the assumptions used to estimate the fair value of those instruments.)	_____	_____	_____
d. The risk characteristics of the underlying financial assets used to stratify recognized servicing assets for purposes of measuring impairment in accordance with paragraph 63 of SFAS 140, as amended?	_____	_____	_____
e. The activity by class in any valuation allowance for impairment of recognized servicing assets—including beginning and ending balances, aggregate additions charged and recoveries credited to operations, and aggregate write-downs charged against the allowance—for each period for which results of operations are presented? [SFAS 140, par. 17g, as amended by SFAS 156]	_____	_____	_____
5. If the entity has securitized financial assets during any period presented and accounts for that transfer as a sale, are the following items disclosed for each major asset type (for example, mortgage loans, credit card receivables, and automobile loans):			
a. Its accounting policies for initially measuring the interests that continue to be held by the transferor, if any, and servicing assets or servicing liabilities, if any, including the methodology (whether quoted market price, prices based on sales of similar assets and liabilities, or prices based on valuation techniques) used in determining their fair value (per paragraphs 68–70)?	_____	_____	_____
b. The characteristics of securitizations (a description of the transferor's continuing involvement with the transferred assets, including, but not limited to, servicing, recourse, and restrictions on interests that continue to be held by the transferor) and the gain or loss from sale of financial assets in securitizations?	_____	_____	_____
c. The key assumptions ²¹ used in measuring the fair value of interest that continue to be held by the transferor and servicing assets or servicing liabilities, if any, at the time of securitization (including, at a minimum, quantitative information about discount rates, expected prepayments including the expected weighted-average life of prepayable financial assets, and anticipated credit losses, if applicable)?	_____	_____	_____
d. Cash flows between the securitization SPE and the transferor, unless reported separately elsewhere in the financial statements			

²¹ If an entity has made multiple securitizations of the same major asset type during a period, it may disclose the range of assumptions.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
or notes (including proceeds from new securitizations, proceeds from collections reinvested in revolving-period securitizations, purchases of delinquent or foreclosed loans, servicing fees, and cash flows received on interests that continue to be held by the transferor)? [SFAS 140, par. 17h, as amended by SFAS 156]	_____	_____	_____
6. If the entity has interests that continue to be held by the transferor in financial assets that it has securitized or servicing assets or servicing liabilities relating to assets that it has securitized, at the date of the latest statement of financial position presented, are the following items disclosed for each major asset type (for example, mortgage loans, credit card receivables, and automobile loans):			
a. Its accounting policies for subsequently measuring those interests, including the methodology (whether quoted market price, prices based on sales of similar assets and liabilities, or prices based on valuation techniques) used in determining their fair value?	_____	_____	_____
b. The key assumptions used in subsequently measuring the fair value of those interests (including, at a minimum, quantitative information about discount rates, expected prepayments including the expected weighted-average life of prepayable financial assets, and anticipated credit losses, including expected static pool losses, if applicable)?	_____	_____	_____
c. A sensitivity analysis or stress test showing the hypothetical effect on the fair value of those interests (including any servicing assets or servicing liabilities) of two or more unfavorable variations from the expected levels for each key assumption that is reported under b. above independently from any change in another key assumption, and a description of the objectives, methodology, and limitations of the sensitivity analysis or stress test?	_____	_____	_____
d. For the securitized assets and any other financial assets that it manages together with them: ²²			
(1) The total principal amount outstanding, the portion that has been derecognized, and the portion that continues to be recognized in each category reported in the statement of financial position, at the end of the period?	_____	_____	_____
(2) Delinquencies at the end of the period?	_____	_____	_____
(3) Credit losses, net of recoveries, during the period? [SFAS 140, par. 17h, as amended by SFAS 156]	_____	_____	_____

Note: Disclosure of average balances during the period is encouraged, but not required.

Q. Nonmonetary Transactions



1. Do disclosures for nonmonetary transactions during the period include:
 - a. Nature of the transactions? _____
 - b. Basis of accounting for the assets transferred? _____
 - c. Gains or losses recognized on the transfers?
[APB 29, par. 28, fn. 7 (AC C11.102 and N35.120); FASBI 30 (AC N35.114–.119)] _____

²² Excluding securitized assets than an entity continues to service but with which it has no other continuing involvement.

2. Is the amount of gross operating revenue recognized as a result of nonmonetary transactions addressed by EITF 00-8, *Accounting by a Grantee for an Equity Instrument to Be Received in Conjunction with Providing Goods or Services*, disclosed in each period's financial statements? [EITF 00-8]

<u>Yes</u>	<u>No</u>	<u>N/A</u>
_____	_____	_____

R. Subsequent Events



1. Are the financial statements adjusted for any changes in estimates resulting from subsequent events that provide additional evidence about conditions that existed at the balance sheet date? [SFAS 5, par. 8 (AC C59.105); SAS 1, secs. 560.03, .04, .07, and 561.01-.10 (AU 560.03, .04, .07, and 561.01-.10)]
2. Are subsequent events that provide evidence about conditions that did not exist at the balance sheet date, but arose subsequent to that date, adequately disclosed to keep the financial statements from being misleading? [SFAS 5, par. 11 (AC C59.112); SAS 1, secs. 560.05-.07, .09, and 561.01-.09 (AU 560.05-.07, .09, and 561.01-.09)]

_____	_____	_____
_____	_____	_____

Note: Consider the appropriateness of dual-dating the auditor's report if a subsequent event is disclosed in the financial statements. [SAS 1, sec. 530.05 (AU 530.05)]

S. Costs Associated With Exit or Disposal Activities



Note: SFAS 146, *Accounting for Costs Associated With Exit or Disposal Activities*, is effective for exit or disposal activities initiated after December 31, 2002. For the purposes of SFAS 146, an exit or disposal activity is initiated when management, having the authority to approve the action, commits to an exit or disposal plan or otherwise disposes of a long-lived asset (disposal group) and, if the activity involves the termination of employees, the criteria for a plan of termination in paragraph 8 of SFAS 146 are met. The provisions of EITF 94-3 shall continue to apply for an exit activity initiated under an exit plan that met the criteria of EITF 94-3 prior to SFAS 146's initial application. Questions 1 through 3 apply only if the provisions of SFAS 146 are not effective.

1. If a material liability is recognized for certain employee termination benefits in accordance with Section A of EITF 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*, are the following disclosures made in all periods until the plan of termination is completed:
- The amount of termination benefits accrued and charged to expense and the classification of those costs in the income statement?
 - The number of employees to be terminated?
 - A description of the employee group(s) to be terminated?
 - The amount of actual termination benefits paid and charged against the liability and the number of employees actually terminated as a result of the plan to terminate employees?
 - The amount of any adjustment(s) to the liability? [EITF 94-3, Section A]

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. If management commits to an exit plan that meets the criteria in Section B of EITF 94-3, are the following reporting requirements followed:			
a. Reporting the statement of income effect of recognizing a liability at the commitment date in income from continuing operations and not on the face of the statement of income net of taxes?	_____	_____	_____
b. No disclosure made on the face of the statement of income for earnings per-share effect?	_____	_____	_____
c. Revenue and related costs and expenses of activities that will not be continued should not be combined and reported as a separate component of income? [EITF 94-3, Section B]	_____	_____	_____
3. If the activities that will not be continued are significant to the company's revenue or operating results, or if the exit costs recognized at the commitment date are material, are the following disclosures made in all periods until the exit plan is completed:			
a. A description of the major actions comprising the exit plan, activities that will not be continued, including the method of disposition, and the anticipated date of completion?	_____	_____	_____
b. A description of the type and amount of exit costs recognized as liabilities and the classification of those costs in the income statement?	_____	_____	_____
c. A description of the type and amount of exit costs paid and charged against the liability?	_____	_____	_____
d. The amount of any adjustment(s) to the liability?	_____	_____	_____
e. For all periods presented, the revenue and net operating income or losses from activities that will not be continued if those activities have separately identifiable operations? [EITF 94-3, Section B]	_____	_____	_____
Note: Questions 4 through 8 apply only if the provisions of SFAS 146 are effective. The provisions of SFAS 146 are effective for exit or disposal activities initiated after December 31, 2002.			
4. Is the following information disclosed in notes to the financial statements that include the period in which an exit or disposal activity is initiated and any subsequent period until the activity is completed:			
a. A description of the exit or disposal activity, including the facts and circumstances leading to the expected activity and the expected completion date?	_____	_____	_____
b. For each major type of cost associated with the activity (for example, one-time termination benefits, contract termination costs, and other associated costs):			
(1) The total amount expected to be incurred in connection with the activity, the amount incurred in the period, and the cumulative amount incurred to date?	_____	_____	_____
(2) A reconciliation of the beginning and ending liability balances showing separately the changes during the period attributable to costs incurred and charged to expense, costs paid or otherwise settled, and any adjustment to the liability with an explanation of the reason(s) therefor?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. The line item(s) in the income statement in which the costs in <i>b</i> above are aggregated?	_____	_____	_____
d. For each reportable segment:			
(1) The total amount of costs expected to be incurred in connection with the activity?	_____	_____	_____
(2) The amount incurred in the period?	_____	_____	_____
(3) The cumulative amount incurred to date, net of any adjustments to the liability with an explanation of the reason(s) therefor?	_____	_____	_____
e. If a liability for a cost associated with the activity is not recognized because fair value cannot be reasonably estimated, that fact and the reasons therefor? [SFAS 146, par. 20 (AC L32.120)]	_____	_____	_____
5. Are costs associated with an exit or disposal activity that does not involve a discontinued operation included in income from continuing operations before income taxes, for example, in a subtotal such as "income from operations"? [SFAS 146, par. 18 (AC L32.118)]	_____	_____	_____
6. Are costs associated with an exit or disposal activity that involves a discontinued operation included in the results of discontinued operation? [SFAS 146, par. 18 (AC L32.118)]	_____	_____	_____
7. If an event or circumstance occurs that discharges or removes an entity's responsibility to settle a liability for a cost associated with an exit or disposal activity recognized in a prior period, is the liability reversed? [SFAS 146, par. 19 (AC L32.119)]	_____	_____	_____
8. Are the related costs reversed through the same line item(s) in the income statement used when those costs were recognized initially? [SFAS 146, par. 19 (AC L32.119)]	_____	_____	_____

T. Business Combinations

Notes: This section does not apply if the provisions of SFAS 141 are being applied to the financial statements. The provisions of SFAS 141 apply to all business combinations initiated after June 30, 2001. SFAS 141 also applies to all business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001, or later. If the provisions of SFAS 141 are being applied, refer to section T1 below.

For combinations between two or more **mutual enterprises**, SFAS 141 will not be effective until interpretative guidance related to application of the purchase method to those transactions is issued. The FASB is considering issues related to the application of the purchase method to combinations between two or more mutual enterprises in a separate project.

Pooling of Interests Method

1. If a business combination occurred during the period and met the specified conditions for a pooling-of-interests, are the following disclosed:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The fact that a combination accounted for by the pooling-of-interests method has occurred during the period disclosed? [APB 16, pars. 63 and 64b (AC App. E, B50.122 and .123b)]	_____	_____	_____
b. The name and a brief description of the enterprises combined? [APB 16, par. 64a (AC App. E, B50.123a)]	_____	_____	_____
c. A description and the number of shares of stock issued in the combination? [APB 16, par. 64c (AC App. E, B50.123c)]	_____	_____	_____
d. Details (including revenue, extraordinary items, net income, other changes in shareholders' equity, and amount of and manner of accounting for intercompany transactions) of the results of operations of the previously separate enterprises for the period before the combination is consummated that are included in the current combined net income? [APB 16, par. 64d (AC App. E, B50.123d)]	_____	_____	_____
e. Descriptions of the nature of adjustments of net assets of the combining enterprises to adopt the same accounting practices and the effects of the changes on net income previously reported separately and now presented in comparative financial statements? [APB 16, par. 64e (AC App. E, B50.123e)]	_____	_____	_____
f. Details (including at least revenue, expenses, extraordinary items, net income, and other changes in shareholders' equity for the period excluded from the reported results of operations) of increases or decreases in retained earnings from changing the fiscal year of a combining enterprise? [APB 16, par. 64f (AC App. E, B50.123f)]	_____	_____	_____
g. Reconciliations of amounts of revenue and earnings previously reporting by the enterprise that issued the stock to effect the combination with the combined amounts currently presented in financial statements and summaries? (Or if a new enterprise was formed to effect the combination, the earnings of the separate enterprises that comprise combined earnings for prior periods may be disclosed.) [APB 16, par. 64g (AC App. E, B50.123g)]	_____	_____	_____
2. If a business combination that was either incomplete as of the date of the financial statements or initiated after that date is consummated before the financial statements are issued, are details (including revenue, net income, earnings per-share, and the effects of anticipated changes in accounting methods as if the combination had been consummated at the date of the financial statements) of the effects of the combination disclosed? [APB 16, par. 65 (AC App. E, B50.124)]	_____	_____	_____

Practice Tip

Information relating to several relatively minor acquisitions may be combined for disclosure.

Purchase Method

3. If a business combination occurred during the period and is to be accounted for under the purchase method, are the following disclosed:
- a. The name and a brief description of the acquired enterprise?
[APB 16, par. 95a (AC App. E, B50.164a)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. The method of accounting for the combination—that is, the purchase method? [APB 16, par. 95b (AC App. E, B50.164b)]	_____	_____	_____
c. The period for which results of operations of the acquired enterprise are included in the income statement of the acquiring enterprise? [APB 16, par. 95c (AC App. E, B50.164c)]	_____	_____	_____
d. The cost of the acquired enterprise and, if applicable, the number of shares of stock issued or issuable and the amount assigned to the shares? [APB 16, par. 95d (AC App. E, B50.164d)]	_____	_____	_____
e. A description of the plan for amortization of acquired goodwill, the amortization method, and period? [APB 16, par. 95e (AC App. E, B50.164e)]	_____	_____	_____
f. Contingent payments, options, or commitments specified in the acquisition agreement and their proposed accounting treatment (including consideration that is issued or issuable at the end of a contingency period or that is held in escrow)? [APB 16, pars. 78 and 95f (AC App. E, B50.136 and .164f)]	_____	_____	_____
g. For public companies only, the following as supplemental information (including at least revenue, income before extraordinary items, net income, and earnings per-share) on a pro forma basis:			
(1) Results of operations for the current period as though the enterprises had combined at the beginning of the period, unless the acquisition was at or near the beginning of the period? [APB 16, par. 96a (AC App. E, B50.165a); SFAS 79, par. 6 (AC B50.165)]	_____	_____	_____
(2) Results of operations for the immediately preceding period as though the enterprises had combined at the beginning of that period if comparative statements are presented? [APB 16, par. 96b (AC App. E, B50.165b); SFAS 79, par. 6 (AC B50.165)]	_____	_____	_____
4. If the reporting entity elects not to include a preacquisition contingency (other than the effects of tax loss carryforwards) in the purchase price allocation or, for those that arise after the end of the allocation period, are not included in net income of the period in which the adjustment is determined as described in SFAS 38, is there disclosure of the amount and nature of adjustments, including the effect of the adjustments on current or expected future cash flows? [SFAS 38, par. 10 (AC App. E, B50.166)]	_____	_____	_____
5. If, as part of a business combination accounted for as a purchase, a material liability is recognized by the combined company for costs incurred to (a) exit an activity, (b) involuntarily terminate employees of an acquired company, or (c) relocate employees of an acquired company:			
a. Are the following disclosures made for the period in which a purchase business combination occurs:			
(1) If the plans to exit an activity or involuntarily terminate (relocate) employees of the acquired company are not final as of the balance sheet date, a description of any unresolved			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
issues, the types of additional liabilities that may result in an adjustment to the purchase price allocation, and how any adjustment will be reported?	_____	_____	_____
(2) A description of the type and amount of liabilities assumed in the purchase price allocation for costs to exit an activity or involuntary terminate (relocate) employees?	_____	_____	_____
(3) A description of the major actions comprising the plan to exit an activity or involuntarily terminate (relocate) employees of an acquired company?	_____	_____	_____
(4) A description of activities of the acquired company that will not be continued, including the method of disposition, and the anticipated date of completion and description of employee group(s) to be terminated (relocated)?	_____	_____	_____
b. Are the following disclosures made for all periods presented subsequent to the acquisition date in which a purchase business combination occurred, until a plan to exit an activity or involuntarily terminate or relocate employees of an acquired company is fully executed:			
(1) A description of the type and amount of exit costs, involuntary employee termination costs, and relocation costs paid and charged against the liability?	_____	_____	_____
(2) The amount of any adjustment to the liability account and whether the corresponding entry was an adjustment of the costs of the acquired company or included in the determination of net income for the period? [EITF 95-3]	_____	_____	_____
6. Is any portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be allocated to reduce goodwill and other noncurrent intangible assets of an acquired entity or directly to contributed capital (paragraphs 30 and 36 of SFAS 109, AC section I27.129 and .135) disclosed? [SFAS 109, par. 48 (AC I27.147)]	_____	_____	_____

T1. Business Combinations

Notes: This section applies if the provisions of SFAS 141 are being applied to the financial statements. The provisions of SFAS 141 apply to all business combinations initiated after June 30, 2001. SFAS 141 also applies to all business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001, or later. If the provisions of SFAS 141 are not being applied, refer to section T above.

For combinations between two or more **mutual enterprises**, SFAS 141 will not be effective until interpretive guidance related to application of the purchase method to those transactions is issued. The FASB is considering issues related to the application of the purchase method to combinations between two or more mutual enterprises in a separate project.

- | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. Do the notes to the financial statements of a combined entity disclose the following information in the period in which a material business combination is completed: | | | |
| a. The name and a brief description of the acquired entity and the percentage of voting equity interests acquired? | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. The primary reasons for the acquisition, including a description of the factors that contributed to a purchase price that results in recognition of goodwill?	_____	_____	_____
c. The period for which the results of operations of the acquired entity are included in the income statement of the combined entity?	_____	_____	_____
d. The cost of the acquired entity and, if applicable, the number of shares of equity interests (such as common shares, preferred shares, or partnership interests) issued or issuable, the value assigned to those interests, and the basis for determining that value?	_____	_____	_____
e. A condensed balance sheet disclosing the amount assigned to each major asset and liability caption of the acquired entity at the acquisition date?	_____	_____	_____
f. Contingent payments, options, or commitments specified in the acquisition agreement and the accounting treatment that will be followed should any such contingency occur?	_____	_____	_____
g. The amount of purchased research and development assets acquired and written off in the period (refer to paragraph 42 of SFAS 141) and the line item in the income statement in which the amounts written off are aggregated?	_____	_____	_____
h. For any purchase price allocation that has not been finalized, that fact and the reasons therefore?	_____	_____	_____
i. In subsequent periods, the nature and amount of any material adjustment made to the initial allocation of the purchase price? [SFAS 141, par. 51 (AC B51.164)]	_____	_____	_____
2. Is the following information disclosed in the notes to the financial statements in the period in which a material business combination is completed if the amounts assigned to goodwill or to other intangible assets acquired are significant in relation to the total cost of the acquired entity:			
a. For intangible assets subject to amortization:			
(1) The total amount assigned and the amount assigned to a major intangible asset class?	_____	_____	_____
(2) The amount of any significant residual value, in total and by major intangible asset class?	_____	_____	_____
(3) The weighted-average amortization period, in total and by major intangible asset class?	_____	_____	_____
b. For intangible assets <i>not</i> subject to amortization the total amount assigned and the amount assigned to any major intangible asset class?	_____	_____	_____
c. For goodwill:			
(1) The total amount of goodwill and the amount that is expected to be deductible for tax purposes?	_____	_____	_____
(2) The amount of goodwill by reportable segment (if the combined entity is required to disclose segment information in accordance with SFAS 131), unless not practicable. [SFAS 141, par. 52 (AC B51.165)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. If a series of individually immaterial business combinations completed during the period are material in the aggregate, is the following disclosed:			
a. The number of entities acquired and a brief description of those entities?	_____	_____	_____
b. The aggregate cost of the acquired entities, the number of equity interests, (such as common shares, preferred shares, or partnership interests) issued or issuable, and the value assigned to those interests?	_____	_____	_____
c. The aggregate amount of any contingent payments, options, or commitments and the accounting treatment that will be followed should any contingency occur (if potentially significant in relation to the aggregate cost of the acquired entities)?	_____	_____	_____
d. The information described in Question 2 above, if the aggregate amount assigned to goodwill or to other intangible assets acquired is significant in relation to the aggregate cost of the acquired entities? [SFAS 141, par. 53 (AC B51.166)]	_____	_____	_____
4. If the combined entity is a public business enterprises, is the following supplemental information on a pro forma basis for the period in which a material business combinations occurs (or for the period in which a series of individually immaterial business combinations occur that are material in the aggregate) disclosed:			
a. Results of operations for the current period as though the business combination or combinations had been completed at the beginning of the period unless the acquisition was at or near the beginning of the period?	_____	_____	_____
b. Results of operations for the comparable period as though the business combination or combinations had been completed at the beginning of that period if comparative financial statements are presented? [SFAS 141, par. 54 (AC B51.167)]	_____	_____	_____
5. Does the supplemental pro forma information display revenue, income before extraordinary items and the cumulative effect of accounting changes, net income, and earnings per-share at a minimum? [SFAS 141, par. 55 (AC B51.168)]	_____	_____	_____
Note: In determining the pro forma amounts, income taxes, interest expense, preferred share dividends, and depreciation and amortization of assets shall be adjusted to the accounting base recognized for each in recording the combination. Pro forma information related to results of operations of periods prior to the combination shall be limited to the results of operations for the immediately preceding period. [SFAS 141, par. 55]			
6. Does the supplemental pro forma information disclose the nature and amount of material, nonrecurring items included in the reported pro forma results of operations, if any? [SFAS 141, par. 55 (AC B51.168)]	_____	_____	_____
7. In the period in which an extraordinary gain is recognized related to a business combination, do the notes to the financial statements disclose the information required by paragraph 11 of APB 30? [SFAS 141, par. 56 (AC B51.169)]	_____	_____	_____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|------------|
| 8. If a material business combination is completed after the balance sheet date but before the financial statements are issued, is the information required by Questions 1 and 2 above disclosed if practicable? [SFAS 141, par. 57 (AC B51.170)] | _____ | _____ | _____ |

Interim Financial Information

- | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 9. For summarized interim financial information of a public business enterprise is the following information disclosed if a material business combination is completed during the current year up to the date of the most recent interim statement of financial position presented: | | | |
| a. The name and a brief description of the acquired entity and the percentage of voting equity interests acquired? | _____ | _____ | _____ |
| b. The primary reasons for the acquisition, including a brief description of the factors that contributed to a purchase price that results in recognition of goodwill? | _____ | _____ | _____ |
| c. The period for which the results of operations of the acquired entity are included in the income statement of the combined entity? | _____ | _____ | _____ |
| d. The cost of the acquired entity and, if applicable, the number of shares of equity interests (such as common shares, preferred shares, or partnership interests) issued or issuable, the value assigned to those interests, and the basis for determining that value? | _____ | _____ | _____ |
| e. Supplemental pro forma information that discloses the results of operations for the current interim period and the current year up to the date of the most recent interim statement of financial position presented (and for the corresponding periods in the preceding year) as though the business combination had been completed as of the beginning of the period reported on? | _____ | _____ | _____ |
| f. The nature and amount of any material, nonrecurring items included in the reported pro forma results of operations? | _____ | _____ | _____ |
| g. Do the pro forma information disclosures in e above display at a minimum, revenue, income before extraordinary items and the cumulative effect of accounting changes (including those on an interim basis), net income and earnings per-share? [SFAS 141, par. 58 (AC B51.171)] | _____ | _____ | _____ |

Other Disclosures and Presentation Items

- | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 10. Is any portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be allocated to reduce goodwill and other noncurrent intangible assets of an acquired entity or directly to contributed capital (paragraphs 30 and 36 of SFAS 109, AC section I27.129 and .135) disclosed? [SFAS 109, par. 48 (AC I27.147)] | _____ | _____ | _____ |
| 11. If a material liability is recognized by the combined institution for costs incurred to (1) exit and activity, (2) involuntarily terminate employees of an acquired institution, or (3) relocate employees of an acquired entity, are disclosures made in accordance with EITF 95-3, <i>Recognition of Liabilities In Connection with a Purchase Business Combination</i> ? [EITF 95-3] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
12. Are the following disclosures made for business combinations between parties with a preexisting relationship:			
a. The nature of the preexisting relationship?	_____	_____	_____
b. The measurement of the settlement amount of the preexisting relationship, if any, and the valuation method used to determine the settlement amount?	_____	_____	_____
c. The amount of any settlement gain or loss recognized and its classification in the statement of operations? [EITF 04-1]	_____	_____	_____
13. Amounts previously recognized as goodwill should not be reclassified as an identifiable intangible asset, however, previously recognized goodwill should be tested for impairment by applying the consensus in Step 2 of a goodwill impairment test. As a result of the application of EITF 04-1, is any effect on a goodwill impairment charge reported in operating income? [EITF 04-1]	_____	_____	_____

U. Segment Information

Note: Public business enterprises are required to provide the disclosures described in SFAS 131 and nonpublic business enterprises are encouraged to do so.

1. Are the factors used to identify the reporting entity's reportable segments, including the basis of organization (for example, whether management has chosen to organize the reporting entity around differences in products and services, geographic areas, regulatory environments, or a combination of factors and whether operating segments have been aggregated) disclosed? [SFAS 131, par. 26 (AC F30.125)]	_____	_____	_____
2. Are the types of products and services from which each reportable segment derives its revenues disclosed? [SFAS 131, par. 26 (AC F30.125)]	_____	_____	_____
3. Has a measure of profit or loss and total assets been reported for each reportable segment? [SFAS 131, par. 27 (AC F30.126)]	_____	_____	_____
4. If the following specified amounts (a) are included in the measure of segment profit or loss reviewed by the chief operating decision maker or (b) are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment profit or loss, are they disclosed for each reportable segment:			
a. Revenues from external customers?	_____	_____	_____
b. Revenues from transactions with other operating segments of the reporting entity?	_____	_____	_____
c. Interest revenue?	_____	_____	_____
d. Interest expense?	_____	_____	_____
e. Depreciation, depletion, and amortization expense?	_____	_____	_____
f. Unusual items as described in paragraph 26 of APB 30?	_____	_____	_____
g. Equity in the net income of investees accounted for by the equity method?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>h.</i> Income tax expense or benefit?	_____	_____	_____
<i>i.</i> Extraordinary items?	_____	_____	_____
<i>j.</i> Significant noncash items other than depreciation, depletion, and amortization expense? [SFAS 131, par. 27 (AC F30.126)]	_____	_____	_____
5. If the following specified amounts are (a) included in the determination of segment assets reviewed by the chief operating decision maker or (b) are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment assets, are they disclosed for each reportable segment:			
<i>a.</i> The amount of investment in equity method investees?	_____	_____	_____
<i>b.</i> Total expenditures for additions to long-lived assets other than financial instruments and deferred tax assets? [SFAS 131, par. 28 (AC F30.127)]	_____	_____	_____
6. Is an explanation of the measurements of segment profit or loss and segment assets that discloses the following for each reportable segment provided:			
<i>a.</i> The basis of accounting for any transactions between reportable segments?	_____	_____	_____
<i>b.</i> The nature of any differences between the reporting entity's consolidated income before taxes, extraordinary items, discontinued operations, and the cumulative effect of changes in accounting principle?	_____	_____	_____
<i>c.</i> The nature of any differences between the measurements of the reportable segments' assets and the reporting entity's consolidated assets?	_____	_____	_____
<i>d.</i> The nature of any changes from prior periods in the measurement methods used to determine reported segment profit or loss and the effect, if any, of those changes on the measure of segment profit or loss?	_____	_____	_____
<i>e.</i> The nature and effect of any asymmetrical allocations to segments? [SFAS 131, par. 31 (AC F30.130)]	_____	_____	_____
7. Are reconciliations of the totals of the reportable segments' revenues, measures of profit or loss, assets, and every other significant item of information disclosed to corresponding consolidated amounts presented with all significant reconciling items separately identified and described? [SFAS 131, par. 32 (AC F30.131)]	_____	_____	_____
8. If the reporting entity changes the structure of its internal organization in a manner that changes the composition of its reportable segments, is the corresponding information for prior periods restated and is the fact that the corresponding items of segment information for earlier periods have been restated disclosed? [SFAS 131, par. 34 (AC F30.133)]	_____	_____	_____
9. If the reporting entity changes the structure of its internal organization in a manner that changes the composition of its reportable segments and the corresponding information for prior periods is not restated, does disclosure in the year in which the change occurs include segment information for the current period under both the old basis and the new basis? [SFAS 131, par. 35 (AC F30.134)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
10. For all reporting entities subject to SFAS 131, including those that have a single reportable segment, are the following enterprise-wide items disclosed:			
a. Revenues from external customers for each product and service or each group of similar products and services unless it is impracticable to do so? [SFAS 131, par. 37 (AC F30.136)]	_____	_____	_____
b. The following geographic information unless it is impracticable to do so:			
(1) Revenues from external customers (a) attributed to the reporting entity's country of domicile and (b) attributed to all foreign countries in total from which the reporting entity derives revenue?	_____	_____	_____
(2) Revenues from external customers attributed to an individual foreign country, if material?	_____	_____	_____
(3) The basis for attributing revenues from external customers to individual countries?	_____	_____	_____
(4) Long-lived assets other than financial instruments and deferred tax assets (a) located in the reporting entity's country of domicile and (b) located in all foreign countries in total in which the reporting entity holds assets?	_____	_____	_____
(5) Long-lived assets as described above in an individual foreign country, if material? [SFAS 131, par. 38 (AC F30.137)]	_____	_____	_____
c. Information about the extent of the reporting entity's reliance on its major customers, including the following:			
(1) If revenues from transactions with any single customer amount to 10 percent or more of the reporting entity's revenues, that fact, the total amount of revenues from each such customer, and the identity of the segment or segments reporting the revenue? [SFAS 131, par. 39 (AC F30.138)]	_____	_____	_____
11. If the information described in Questions 10a and b above has not been disclosed because it is impracticable, is that fact disclosed? [SFAS 131, pars. 37 and 38 (AC F30.136 and .137)]	_____	_____	_____

V. Postemployment Benefits

- | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. If an obligation for postemployment benefits (for example, salary continuation, supplemental unemployment benefits, severance benefits, disability related benefits, job training and counseling, and continuation of health and insurance coverage) has not been accrued because the amount cannot be reasonably estimated, is that fact disclosed in the financial statements?
[SFAS 112, par. 7 (AC P32.105)] | _____ | _____ | _____ |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|

W. Stock Compensation Plans

Note: If the provisions of SFAS 123(R) are effective, refer to Questions 12–17 and ignore Questions 1–11 below.

- | | | | |
|------------------------------------------------------------------------------------------------------------------------------|--|--|--|
| 1. Has the entity disclosed the following information in the "Summary of Significant Accounting Policies" or its equivalent: | | | |
|------------------------------------------------------------------------------------------------------------------------------|--|--|--|

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The method used—either the intrinsic value method or the fair value based method—to account for stock-based employee compensation in each period presented?	_____	_____	_____
b. For an entity that adopts the fair value recognition provisions of SFAS 123, for all financial statements in which the period of adoption is presented, is there a description of the method of reporting the change in accounting principle?	_____	_____	_____
c. If awards of stock-based employee compensation were outstanding and accounted for under the intrinsic value method of APB 25 for any period for which an income statement is presented, is there a tabular presentation of the following information for all periods presented:			
(1) Net income and basic and diluted earnings per-share as reported?	_____	_____	_____
(2) The stock-based employee compensation cost, net of related tax effects, included in the determination of net income, as reported?	_____	_____	_____
(3) The stock-based employee compensation cost, net of related tax effects, that would have been included in the determination of net income if the fair value based method had been applied to all awards?	_____	_____	_____
(4) Pro forma net income as if the fair value based method had been applied to all awards?	_____	_____	_____
(5) Pro forma basic and diluted earnings per-share as if the fair value based method had been applied to all awards? [SFAS 148, par. 2(e) (AC C36.144)]	_____	_____	_____
2. Does the required pro forma amounts reflect the difference in stock-based employee compensation cost, if any, included in the net income and the total cost measured by the fair value based method, as well as additional tax effects, if any, that would have been recognized in the income statement if the fair value based method had been applied to all awards? [SFAS 148, par. 2(e) (AC C36.144)]	_____	_____	_____
3. Does the required pro forma per-share amounts reflect the change in the denominator of the diluted earnings per-share calculation as if the assumed proceeds under the treasury stock method, including measured but unrecognized compensation cost and the excess tax benefits credited to additional paid-in capital, were determined under the fair value based method? [SFAS 148, par. 2(e) (AC C36.144)]	_____	_____	_____
4. Is a description of the plan(s), including the general terms of awards under the plan(s) disclosed? [SFAS 123, par. 46 (AC C36.145)]	_____	_____	_____
5. Are the following disclosed for each year for which an income statement is presented:			
a. The number and weighted-average exercise prices of options for each of the following groups of options:			
(1) Those outstanding at the beginning of the year?	_____	_____	_____
(2) Those outstanding at the end of the year?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(3) Those exercisable at the end of the year?	_____	_____	_____
(4) Those granted during the year?	_____	_____	_____
(5) Those exercised during the year?	_____	_____	_____
(6) Those forfeited during the year?	_____	_____	_____
(7) Those expired during the year?	_____	_____	_____
b. The weighted-average grant-date fair value of options granted during the year? (<i>Note:</i> That is, if the exercise prices of some options differ from the market price of the stock on the grant date, weighted-average fair values of options shall be disclosed separately for options whose exercise price (1) equals, (2) exceeds, or (3) is less than the market price of the stock on the grant date.)	_____	_____	_____
c. The number and weighted-average grant date-fair value of equity instruments other than options granted during the year?	_____	_____	_____
d. A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: (1) risk-free interest rate, (2) expected life, (3) expected volatility, and (4) expected dividends?	_____	_____	_____
e. Total compensation cost recognized in income for stock-based employee compensation awards?	_____	_____	_____
f. The terms of significant modifications of outstanding awards? [SFAS 123, par. 47a–f (AC C36.146)]	_____	_____	_____
6. If the reporting entity grants options under multiple stock-based employee compensation plans, are the items in Question 3 above disclosed separately for different types of awards to the extent that the differences in the characteristics of the awards make separate disclosure important to an understanding of the reporting entity's use of stock-based compensation? [SFAS 123, par. 47 (AC C36.146)]	_____	_____	_____
7. For options outstanding at the date of the latest balance sheet presented, are the following disclosed:			
a. The range of exercise prices?	_____	_____	_____
b. The weighted-average exercise price?	_____	_____	_____
c. The weighted-average remaining contractual life? [SFAS 123, par. 48 (AC C36.147)]	_____	_____	_____
8. If the range of exercise prices is wide (the highest exercise price exceeds approximately 150 percent of the lowest exercise price), are the exercise prices segregated into ranges that are meaningful for assessing the number and timing of additional shares that may be issued and the cash that may be received as a result of option exercises and are the following disclosed for each range:			
a. The number, weighted-average exercise price, and weighted-average remaining contractual life of options outstanding?	_____	_____	_____
b. The number and weighted-average exercise price of options currently exercisable? [SFAS 123, par. 48 (AC C36.147)]	_____	_____	_____
9. For bonus arrangements issued in connection with the grant of stock compensation awards, is any amount recognized as a bonus liability			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
during the service period that exceeds the ultimate bonus paid to the employee reclassified to equity? [EITF 00-23]	_____	_____	_____
10. Is the accounting policy for recognizing compensation cost related to fixed stock awards with pro rata vesting disclosed? [EITF 00-23]	_____	_____	_____
11. Are changes in fair value of an option award granted to employees, in unrestricted, publicly traded shares of an unrelated entity prior to vesting characterized as compensation expense in the employer's income statement? [EITF 02-8]	_____	_____	_____

Notes: The provisions of SFAS 123(R) are effective (a) for public entities that do not file as small business issuers—as of the beginning of the first interim or annual reporting period that begins after June 15, 2005; (b) for public entities that file as small business issuers—as of the beginning of the first interim or annual reporting period that begins after December 15, 2005; and (c) for nonpublic entities—as of the beginning of the first annual reporting period that begins after December 15, 2005.

These questions apply only if the provisions of SFAS 123(R) are effective.

12. If the entity has one or more share-based payment arrangements, does it disclose information that enables users of the financial statements to understand:			
a. The nature and terms of such arrangements that existed during the period and the potential effects of those arrangements on shareholders?	_____	_____	_____
b. The effect of compensation cost arising from share-based payment arrangements on the income statement?	_____	_____	_____
c. The method of estimating the fair value of the goods or services received, or the fair value of the equity instruments granted (or offered to grant), during the period?	_____	_____	_____
d. The cash flow effects resulting from share-based payment arrangements? [SFAS 123(R), par. 64 (AC C35.164)]	_____	_____	_____

Notes: Paragraphs A240 and A241 of SFAS 123(R) indicate the minimum information needed to achieve those objectives and illustrate how the disclosure requirements might be satisfied. In some circumstances, an entity may need to disclose information beyond that listed in paragraph A240 to achieve the disclosure objectives.

On October 20, 2006, FSP FAS 123 (R)-6, *Technical Corrections of FASB Statement No. 123(R)*, which addresses certain technical corrections of SFAS 123 (revised 2004), *Share-Based Payment*. Specifically, it amends paragraph A240(d)(1) to exempt nonpublic entities from disclosing the aggregate intrinsic value of outstanding fully vested share options (or share units), among other matters. Readers should refer to the FSP for the effective date and transitional guidance.

13. If the entity acquires goods or services other than employee services in share-based payment transactions, does it provide disclosures			
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
similar to those in Question 11 above required by paragraph 64 of SFAS 123(R) to the extent that those disclosures are important to an understanding of the effects of those transactions on the financial statements? [SFAS 123(R), par. 65 (AC C35.165)]	_____	_____	_____
14. If the entity has multiple share-based payment arrangements with employees, does it disclose information separately for different types of awards under those arrangements to the extent that differences in the characteristics of the awards make separate disclosure important to an understanding of the entity's use of share-based compensation? (See paragraph A240 of SFAS 123(R).) [SFAS 123(R), par. 65 (AC C35.165)]	_____	_____	_____
<i>Required Disclosures in the Period SFAS 123(R) Is Adopted</i>			
15. In the period that SFAS 123(R) is adopted, does an entity disclose the effect of the change from applying the original provisions of SFAS 123 on income from continuing operations, income before income taxes, net income, cash flow from operations, cash flow from financing activities, and basic and diluted earnings per-share? [SFAS 123(R), par. 84 (AC C35.712)]	_____	_____	_____
16. If awards under share-based payment arrangements with employees are accounted for under the intrinsic value method of APB 25 for any reporting period for which an income statement is presented, and if the entity is a public entity, does it continue to provide the tabular presentation of the following information that was required by paragraph 45 of SFAS 123 for all those periods:			
a. Net income and basic and diluted earnings per-share as reported?	_____	_____	_____
b. The share-based employee compensation cost, net of related tax effects, included in net income as reported?	_____	_____	_____
c. The share-based employee compensation cost, net of related tax effects, that would have been included in net income if the fair-value-based method had been applied to all awards?	_____	_____	_____
d. Pro forma net income as if the fair-value-based method had been applied to all awards?	_____	_____	_____
e. Pro forma basic and diluted earnings per-share as if the fair-value-based method had been applied to all awards? [SFAS 123(R), par. 84 (AC C35.712)]	_____	_____	_____
17. Are changes in fair value of an option award granted to employees, in unrestricted, publicly traded shares of an unrelated entity prior to vesting characterized as compensation expense in the employer's income statement? [EITF 02-8]	_____	_____	_____

X. Asset Retirement Obligations

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|----------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 1. Is the following information about its asset retirement obligations disclosed: | | | |
| a. A general description of the asset retirement obligations and the associated long-lived assets? | _____ | _____ | _____ |
| b. The fair value of assets that are legally restricted for purposes of settling asset retirement obligations? | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. A reconciliation of the beginning and ending aggregate carrying amount of asset retirement obligations showing separately the changes attributable to (1) liabilities incurred in the current period, (2) liabilities settled in the current period, (3) accretion expense, and (4) revisions in estimated cash flows, whenever there is a significant change in one or more of those four components during the reporting period? [SFAS 143, par. 22 (AC A50.122)]	_____	_____	_____
2. If the fair value of an asset retirement obligation cannot be reasonably estimated is that fact and the reasons therefore disclosed? [SFAS 143, par. 22 (AC A50.122)]	_____	_____	_____
3. In addition to the disclosures required by paragraphs 19 (c), 19 (d), and 21 of APB 20, is the liability for the asset retirement obligation computed on a pro forma basis disclosed in the footnotes for the beginning of the earliest year presented and at the end of all years presented as if SFAS 143 and FASBI 47 had been applied during all periods affected? [SFAS 143, par. 27 and FASBI 47, par. 11]	_____	_____	_____

Note: FASBI 47, *Accounting for Conditional Asset Retirement Obligations— an interpretation of FASB Statement No. 143*, issued in March 2005, clarifies that an entity is required to recognize a liability if the obligation to perform an asset retirement activity is unconditional, even though the timing and (or) method of settlement may be uncertain. FASBI 47 is effective no later than the end of the fiscal year ending after December 15, 2005. Early adoption of the Interpretation is encouraged.

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|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 4. If the entity adopted FASBI 47 in the current fiscal year, do the notes to the financial statements include the amount of the liability for asset retirement obligations computed on a pro forma basis for the beginning of the earliest year presented and at the end of all years presented as if the Interpretation had been applied during all periods affected?
[FASBI 47, par. 11] | _____ | _____ | _____ |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|

Y. Demutualizations and Formations of Mutual Insurance Holding Companies

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| 1. Are the nature and terms of a demutualization or formation of and MIHC and the basis of presentation and terms of operation of the closed block disclosed?
[SOP 00-3, par. 24] | _____ | _____ | _____ |
| 2. Is a general description of the method of emergence of earnings from the closed block, presentation of assets and liabilities of the closed block, and policyholder dividend obligation provided?
[SOP 00-3, par. 24] | _____ | _____ | _____ |
| 3. If a closed block has formed, is the following disclosed (Note: Refer to SOP 00-3, Appendix A, "Illustrative Guidance—Footnote Disclosure for the Closed Block," for an illustrative example): | | | |
| a. A general description of the closed block, including the purpose of the closed block, the types of insurance policies included, and the nature of the cash flows that increase and decrease the amount of closed block liabilities?
[SOP 00-3, par. 25a] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. An indication the continuing responsibility of the insurance enterprise to support the payment of contractual benefits and the nature of expenses charged to the closed block operations? [SOP 00-3, par. 25a]	_____	_____	_____
4. Is summarized financial data of the closed block as of, or for periods ending on the date of, the financial statements presented, including at a minimum:			
a. The carrying amounts for the major types of invested assets of the closed block?	_____	_____	_____
b. Future policy benefits and policyholders' account balances?	_____	_____	_____
c. Policyholder dividend obligation?	_____	_____	_____
d. Premiums?	_____	_____	_____
e. Net investment income?	_____	_____	_____
f. Realized investment gains and losses?	_____	_____	_____
g. Policyholder benefits?	_____	_____	_____
h. Policyholder dividends?	_____	_____	_____
i. The amount of maximum future earnings remaining to inure to the benefit of stockholders from the assets and liabilities of the closed block as well as an analysis of the changes in the policyholder dividend obligation? [SOP 00-3, par. 25b]	_____	_____	_____

Note: GAAP disclosures that typically would be required for the various specific elements included in the closed block need not be made separately for the closed block if the nature of the information for the closed block would not differ significantly from that already included for the reporting entity as a whole. For example, it is not necessary to show a separate schedule of contractual maturities of closed block fixed maturity securities if the relative composition of contractual maturities is similar to those of the reporting entity taken as a whole. However, if the relative maturities of the closed block fixed maturities securities differ from those of the reporting entity taken as a whole, separate disclosures should be made. [SOP 00-3, par. 25c]

Z. Guarantees

1. Is the following information disclosed by a guarantor about each guarantee, or each group of similar guarantees, even if the likelihood of the guarantor's having to make any payments under the guarantee is remote:
 - a. The nature of the guarantee, including the approximate term, how the guarantee arose, and the events or circumstances that would require the guarantor to perform under the guarantee? _____
 - b. The maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee? _____
 - c. If the terms of the guarantee provide for no limitation to the maximum potential future payments under the guarantee, is that fact disclosed? _____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. If the guarantor is unable to develop an estimate of the maximum potential amount of future payments under its guarantee, are the reasons why the maximum potential amount cannot be estimated disclosed?	_____	_____	_____
e. The current carrying amount of the liability, if any, for the guarantor's obligations under the guarantee, including the amount, if any, recognized under SFAS 5, paragraph 8, regardless of whether the guarantee is freestanding or embedded in another contract?	_____	_____	_____
f. The nature of—			
(1) Any recourse provisions that would enable the guarantor to recover from third parties any of the amounts paid under the guarantee? and	_____	_____	_____
(2) Any assets held either as collateral or by third parties that, upon the occurrence of any triggering event or condition under the guarantee, the guarantor can obtain and liquidate to recover all or a portion of the amounts paid under the guarantee?	_____	_____	_____
g. If estimable, the approximate extent to which the proceeds from liquidation of those assets would be expected to cover the maximum potential amount of future payments under the guarantee? [FASBI 45, par. 13 (AC G80.112)]	_____	_____	_____
2. For product warranties and other guarantee contracts that are excluded from the initial recognition and initial measurement requirements of FASBI 45 pursuant to paragraph 7(b) of FASBI 45 (collectively referred to as product warranties), is the following information disclosed:			
a. The guarantor's accounting policy and methodology used in determining its liability for product warranties (including any liability associated with extended warranties)?	_____	_____	_____
b. A tabular reconciliation of the changes in the guarantor's aggregate product warranty liability for the reporting period?	_____	_____	_____
c. Does the tabular reconciliation present—			
(1) The beginning balance of the aggregate product warranty liability?	_____	_____	_____
(2) The aggregate reductions in that liability for payments made (in cash or in kind) under the warranty?	_____	_____	_____
(3) The aggregate changes in the liability for accruals to product warranties issued during the reporting period, and the aggregate changes in the liability for accruals related to preexisting warranties, including adjustments related to changes in estimates?	_____	_____	_____
(4) The ending balance of the aggregate product warranty liability? [FASBI 45, par. 14 (AC G80.113)]	_____	_____	_____
3. Are the disclosure requirements in paragraphs 13 and 14 of FASBI 45 complied with for intellectual property infringement indemnifications as described in FSP 45-1? [FSP 45-1]	_____	_____	_____

Yes No N/A

Note: FSP FIN 45-3, *Application of FASB Interpretation No. 45 to Minimum Revenue Guarantees Granted to a Business or Its Owners*, is effective for new minimum revenue guarantees issued or modified on or after the beginning of the first fiscal quarter following November 10, 2005, the date that the final FSP was posted to the FASB Web site. Earlier application of the provisions of the FSP is permitted. The guarantor's previous accounting for minimum revenue guarantees issued prior to the date of FSP FIN 45-3's initial application should not be revised or restated to reflect the effect of the recognition and measurement provisions of FASBI 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*.

4. Are the disclosure requirements in paragraphs 13–16 of FASBI 45 applied to all minimum revenue guarantees in financial statements of interim or annual periods ending after the beginning of the first fiscal quarter following November 10, 2005, the date that the final FSP was posted to the FASB Web site? Thus, the disclosure requirements in paragraphs 13–16 should be applied to any minimum revenue guarantees issued prior to the initial application of the FSP, regardless of whether those guarantees were recognized and measured under FASBI 45?

[FSP FIN 45-3, par. 7]

AA. Fair Value Measurements

In September 2006 the Financial Accounting Standards Board issued SFAS 157, *Fair Value Measurements*, which is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including any financial statements for an interim period within that fiscal year.

The Statement shall be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied. Certain exceptions apply. Readers should refer to the Statement for those exceptions.

1. For assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition (for example, trading securities), the reporting entity shall disclose information that enables users of its financial statements to assess the inputs used to develop those measurements and for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on earnings (or changes in net assets) for the period. To meet that objective, the reporting entity shall disclose the following information for each interim and annual period (except as otherwise specified) separately for each major category of assets and liabilities:

- a. The fair value measurements at the reporting date.

- b. The level within the fair value hierarchy in which the fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. For fair value measurements using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following: ²³			
(1) Total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings (or changes in net assets), and a description of where those gains or losses included in earnings (or changes in net assets) are reported in the statement of income (or activities).	_____	_____	_____
(2) Purchases, sales, issuances, and settlements (net).	_____	_____	_____
(3) Transfers in and/or out of Level 3 (for example, transfers due to changes in the observability of significant inputs).	_____	_____	_____
d. The amount of the total gains or losses for the period in subparagraph (c)(1) above included in earnings (or changes in net assets) that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date and a description of where those unrealized gains or losses are reported in the statement of income (or activities).	_____	_____	_____
e. In annual periods only, the valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques, if any, during the period. [SFAS 157, par. 32]	_____	_____	_____
2. For assets and liabilities that are measured at fair value on a nonrecurring basis in periods subsequent to initial recognition (for example, impaired assets), the reporting entity shall disclose information that enables users of its financial statements to assess the inputs used to develop those measurements. To meet that objective, the reporting entity shall disclose the following information for each interim and annual period (except as otherwise specified) separately for each major category of assets and liabilities:			
a. The fair value measurements recorded during the period and the reasons for the measurements.	_____	_____	_____
b. The fair value measurements recorded during the period and the reasons for the level within the fair value hierarchy in which the fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3).	_____	_____	_____
c. For fair value measurements using significant unobservable inputs (Level 3), a description of the inputs and the information used to develop the inputs.	_____	_____	_____
d. In annual periods only, the valuation technique(s) used to measure fair value and a discussion of changes, if any, in the valuation technique(s) used to measure similar assets and/or liabilities in prior periods. [SFAS 157, par. 33]	_____	_____	_____
3. Are the quantitative disclosures required by SFAS 157 presented using a tabular format? (See Appendix A of SFAS 157 for implementation guidance and examples.) [SFAS 157, par. 34]	_____	_____	_____

²³ For derivative assets and liabilities, the reconciliation disclosure required by paragraph 32(c) may be presented net.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Is the fair value information disclosed under SFAS 157 and the fair value information disclosed under other accounting pronouncements (for example, SFAS 107, <i>Disclosures about Fair Value of Financial Instruments</i>) combined in the periods in which those disclosures are required, if practicable? (<i>Encouraged, but not required.</i>) [SFAS 157, par. 35]	_____	_____	_____
5. Is information about other similar measurements (for example, inventories measured at market value under ARB 43, Chapter 4) disclosed, if practicable? (<i>Encouraged, but not required.</i>) [SFAS 157, par. 35]	_____	_____	_____

Transition Guidance

6. At the date this Statement is initially applied to the financial instruments in paragraph 37(a)–(c), is the difference between the carrying amounts and the fair values of those instruments recognized as a cumulative-effect adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that fiscal year, presented separately?
[SFAS 157, par. 38]

Note: The disclosure requirements of SFAS 154 for a change in accounting principle do not apply.

7. Are the disclosure requirements of this Statement (paragraphs 32–35), including those disclosures that are required in annual periods only, applied in the first interim period of the fiscal year in which this Statement is initially applied?
[SFAS 157, par. 39]

Notes: The disclosure requirements of this Statement need not be applied for financial statements for periods presented prior to initial application of this Statement.

In February 2007 the Financial Accounting Standards Board issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS 157.

No entity is permitted to apply this Statement retrospectively to fiscal years preceding the effective date unless the entity chooses early adoption. The choice to adopt early should be made after issuance of this Statement but within 120 days of the beginning of the fiscal year of adoption, provided the entity has not yet issued financial statements, including required notes to those financial statements, for any interim period of the fiscal year of adoption.

This Statement permits application to eligible items existing at the effective date (or early adoption date). Readers should refer to the complete Statement for more detailed information regarding early adoption and effective date.

<u>Yes</u>	<u>No</u>	<u>N/A</u>
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Note: The disclosures described in paragraphs 18–22 of SFAS 159 are required for items measured at fair value under the option in SFAS 159 and the option in paragraph 16 of SFAS 133 (as amended by SFAS 155, *Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140*). Those disclosures are not required for securities classified as trading securities under SFAS 115, life settlement contracts measured at fair value pursuant to FSP FTB 85-4-1, “Accounting for Life Settlement Contracts by Third-Party Investors,” or servicing rights measured at fair value pursuant to SFAS 156, *Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140*. Entities shall provide the disclosures required by paragraphs 18–22 of SFAS 159 in both interim and annual financial statements. Entities are encouraged but are not required to present the disclosures required by SFAS 159 in combination with related fair value information required to be disclosed by other Statements (for example, SFAS 107 and SFAS 157). Appendix B of SFAS 159 provides illustrative fair value disclosures.

Required Disclosures as of Each Date for Which an Interim or Annual Statement of Financial Position Is Presented

8. As of each date for which a statement of financial position is presented, do the entities disclose the following:

a. Management’s reasons for electing a fair value option for each eligible item or group of similar eligible items?

_____	_____	_____
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b. If the fair value option is elected for some but not all eligible items within a group of similar eligible items:

(1) A description of those similar items and the reasons for partial election?

_____	_____	_____
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(2) Information to enable users to understand how the group of similar items relates to individual line items on the statement of financial position?

_____	_____	_____
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c. For each line item in the statement of financial position that includes an item or items for which the fair value option has been elected:

(1) Information to enable users to understand how each line item in the statement of financial position relates to major categories of assets and liabilities presented in accordance with SFAS 157’s fair value disclosure requirements?

_____	_____	_____
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(2) The aggregate carrying amount of items included in each line item in the statement of financial position that are not eligible for the fair value option, if any?

_____	_____	_____
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d. The difference between the aggregate fair value and the aggregate unpaid principal balance of:

(1) Loans and long-term receivables (other than securities subject to SFAS 115) that have contractual principal amounts and for which the fair value option has been elected?

_____	_____	_____
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(2) Long-term debt instruments that have contractual principal amounts and for which the fair value option has been elected?

_____	_____	_____
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. For loans held as assets for which the fair value option has been elected:			
(1) The aggregate fair value of loans that are 90 days or more past due?	_____	_____	_____
(2) If the entity's policy is to recognize interest income separately from other changes in fair value, the aggregate fair value of loans in nonaccrual status?	_____	_____	_____
(3) The difference between the aggregate fair value and the aggregate unpaid principal balance for loans that are 90 days or more past due, in nonaccrual status, or both?	_____	_____	_____
f. For investments that would have been accounted for under the equity method if the entity had not chosen to apply the fair value option, ⁴ the information required by paragraph 20 of APB 18, <i>The Equity Method of Accounting for Investments in Common Stock</i> (excluding the disclosures in paragraphs 20(a)(3), 20(b), and 20(e) of that Opinion)?	_____	_____	_____
[SFAS 159, paragraph 18]			

Required Disclosures for Each Period for Which an Interim or Annual Income Statement Is Presented

9. For each period for which an income statement is presented, do entities disclose the following about items for which the fair value option has been elected:
- For each line item in the statement of financial position, the amounts of gains and losses from fair value changes included in earnings during the period and in which line in the income statement those gains and losses are reported? (The Statement does not preclude an entity from meeting this requirement by disclosing amounts of gains and losses that include amounts of gains and losses for other items measured at fair value, such as items required to be measured at fair value.)
 - A description of how interest and dividends are measured and where they are reported in the income statement? (The Statement does not address the methods used for recognizing and measuring the amount of dividend income, interest income, and interest expense for items for which the fair value option has been elected.)
 - For loans and other receivables held as assets:
 - The estimated amount of gains or losses included in earnings during the period attributable to changes in instrument-specific credit risk?
 - How the gains or losses attributable to changes in instrument-specific credit risk were determined?
 - For liabilities with fair values that have been significantly affected during the reporting period by changes in the instrument-specific credit risk:
 - The estimated amount of gains and losses from fair value changes included in earnings that are attributable to changes in the instrument specific credit risk?
 - Qualitative information about the reasons for those changes?

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---------------------------------------------------------------------------------------------------------------------------------|------------|-----------|------------|
| (3) How the gains and losses attributable to changes in instrument-specific credit risk were determined?
[SFAS 159, par. 19] | _____ | _____ | _____ |

Note: The disclosure requirements in paragraphs 18 and 19 of SFAS 159 do not eliminate disclosure requirements included in other GAAP pronouncements, including other disclosure requirements relating to fair value measurement.
[SFAS 159, par. 20]

Other Required Disclosures

- | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 10. In annual periods only, does an entity disclose the methods and significant assumptions used to estimate the fair value of items for which the fair value option has been elected?
[SFAS 159, par. 21] | _____ | _____ | _____ |
| 11. If an entity elects the fair value option at the time one of the events in paragraphs 9(d) and 9(e) of SFAS 159 occurs, does the entity disclose the following in financial statements for the period of the election: | | | |
| a. Qualitative information about the nature of the event? | _____ | _____ | _____ |
| b. Quantitative information by line item in the statement of financial position indicating which line items in the income statement include the effect on earnings of initially electing the fair value option for an item?
[SFAS 159, par. 22] | _____ | _____ | _____ |
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FSP Section 20,400

Auditors' Reports Checklist

.01 This checklist has been developed by the staff of the Accounting and Auditing Publications Team of the AICPA as a nonauthoritative practice aid.

.02 Explanation of References:

SAS =	AICPA Statement on Auditing Standards
SOP =	AICPA Statement of Position
AU =	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
SSARS =	AICPA Statement on Standards for Accounting and Review Services
AR =	Reference to section number in AICPA <i>Professional Standards</i> (vol. 2)

.03 Checklist Questionnaire:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. Is every financial statement audited specifically identified in the introductory paragraph of the auditor's report? [SAS 58, par. 6 (AU 508.06)]	_____	_____	_____
2. Do the titles of the financial statements referred to in the introductory paragraph of the auditor's report match the titles of the financial statements presented? [Generally Accepted]	_____	_____	_____
3. Do the dates of the financial statements referred to in the introductory paragraph of the auditor's report match the dates of the financial statements presented? [Generally Accepted]	_____	_____	_____
4. Is the report appropriately addressed? [SAS 58, par. 9 (AU 508.09)]	_____	_____	_____

Note: The Public Company Accounting Oversight Board (PCAOB) establishes standards for audits of "issuers," as that term is defined by the Sarbanes-Oxley Act of 2002 (the Act) or whose audit is prescribed by the rules of the SEC. Other entities are referred to as "nonissuers." Interpretation 17, "Clarification in the Audit Report of the Extent of Testing of Internal Control Over Financial Reporting in Accordance With Generally Accepted Auditing Standards," of SAS 58, *Reports on Audited Financial Statements*, as amended (AU 9508.85-88), provides language that may be added to the auditor's standard report on the financial statements of a nonissuer to clarify differences between a GAAS audit and an audit conducted in accordance with the standards of the PCAOB. Interpretation 18, "References to PCAOB Standards in an Audit Report on a Nonissuer," of SAS 58, as amended (AU 9508.89-92), explains how the auditor should report if engaged to also follow PCAOB auditing standards in the audit of a nonissuer.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. Does the auditor's report include appropriate:			
a. A title that includes the word "independent"? [SAS 58, par. 8a (AU 508.08a)]	_____	_____	_____
b. A statement that the financial statements identified in the report were audited? [SAS 58, par. 8b (AU 508.08b)]	_____	_____	_____
c. A statement that the financial statements are the responsibility of management and that the auditor's responsibility is to express an opinion on the financial statements based on his or her audit? [SAS 58, par. 8c (AU 508.08c)]	_____	_____	_____
d. (Audits of Non-Public Companies Only) A statement that the audit was conducted in accordance with generally accepted auditing standards and an identification of the country of origin of those standards (for example, auditing standards generally accepted in the United States of America or U.S. generally accepted auditing standards)? [SAS 58, par. 8d, as amended by SAS 93 (AU sec. 508.08d)]	_____	_____	_____
e. (Audits of Public Companies Only) A statement that the audit was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States)? [PCAOB Auditing Standard No. 1, Appendix, par. 3]	_____	_____	_____
f. A statement that these standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement? [SAS 58, par. 8e (AU 508.08e)]	_____	_____	_____
g. A statement that an audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation? [SAS 58, par. 8f (AU 508.08f)]	_____	_____	_____
h. A statement that the auditor believes that his audit provides a reasonable basis for his opinion? [SAS 58, par. 8g (AU 508.08g)]	_____	_____	_____
i. An opinion as to whether the financial statements present fairly, in all material aspects, the financial position of the reporting entity as of the balance sheet date and the results of operations and its cash flows for the period then ended in conformity with generally accepted accounting principles and an identification of the country of origin of those accounting principles (for example, accounting principles generally accepted in the United States of America or U.S. generally accepted accounting principles)? [SAS 58, par. 8h, as amended by SAS 93 (AU sec. 508.08h)]	_____	_____	_____
j. The manual or printed signature of the auditor's firm? [SAS 58, par. 8i (AU 508.08i)]	_____	_____	_____
k. The date of the audit report? [SAS 58, par. 8j (AU 508.08j)]	_____	_____	_____

Practice Tip

Paragraph 8 of SAS 58 illustrates the form of the auditor's standard report on financial statements covering a single year and on comparative financial statements.

Note: If SAS No. 113, *Omnibus Statement on Auditing Standards—2006*, has been adopted by nonpublic companies, the phrase "completion of field-work" in Question 6 below should be replaced with "the date of the independent auditor's report." Amendments to paragraphs 7–14 of SAS No. 113 are effective for audits of financial statements for periods ending on or after December 15, 2006, with earlier application permitted.

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|------------|
| 6. If a subsequent event disclosed in the financial statements occurs after completion of field work but before the issuance of the related financial statements, has the need for dual-dating of the report been considered?
[SAS 1, sec. 530, as amended by SAS 98, pars. 3–5 (AU 530.03–.05)] | _____ | _____ | _____ |
| 7. If the accountant is not independent, is a compilation report indicating the lack of independence issued (non-public companies only)?
[SAS 26, par. 10 (AU 504.10); SSARS 1, pars. 19 and 45 (AR 100.19 and .45)] | _____ | _____ | _____ |
| 8. If the opinion is based in part on the report of another auditor: | | | |
| a. Does the introductory paragraph of the standard report disclose the fact that the opinion is based, in part, on the report of other auditors? | _____ | _____ | _____ |
| b. Does the opinion paragraph include a reference to the report of the other auditor?
[SAS 58, pars. 11a, 12, and 13 (AU 508.11a, .12, and .13)] | _____ | _____ | _____ |
| 9. If, to prevent the financial statements from being misleading because of unusual circumstances, the financial statements contain a departure from an accounting principle promulgated by a body designated by the AICPA Council to establish such principles, does the report include, in a separate paragraph or paragraphs, the information required by the rule?
[SAS 58, pars. 11b and 15 (AU 508.11b and .15)] | _____ | _____ | _____ |
| 10. If there is substantial doubt about the entity's ability to continue as a going concern: | | | |
| a. Does the report include an explanatory paragraph, following the opinion paragraph, to reflect that conclusion? | _____ | _____ | _____ |
| b. Is that conclusion expressed through the use of the phrase "substantial doubt about its (the entity's) ability to continue as a going concern" or similar wording that includes the terms substantial doubt and going concern?
[SAS 58, par. 11c (AU 508.11c); SAS 59, as amended by SAS 64, par. 12 (AU 341.12)] | _____ | _____ | _____ |

Practice Tip

In a going concern paragraph, the auditor should not use conditional language in expressing a conclusion concerning the existence of substantial doubt about the entity's ability to continue as a going concern. See SAS 77 (AU sec. 341.13) for an example.

- | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| 11. For auditors of public companies, prior to the report release date, among other matters, has auditor obtained sufficient evidence to support the representations in the auditor's reports?
[PCAOB AS 3, par. A53] | _____ | _____ | _____ |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
12. For auditors of nonpublic companies , is the report dated no earlier than the date on which the auditor has obtained sufficient competent audit evidence to support the opinion on the financial statements? [SAS 103 (Amendment to AU 530.01 and 530.05)]	_____	_____	_____
13. If there has been a material change between periods in accounting principles or in the method of their application that has a material effect on the comparability of the reporting entity's financial statements:			
a. Does the report include an explanatory paragraph, following the opinion paragraph, that refers to the change?	_____	_____	_____
b. Does the explanatory paragraph identify the nature of the change and refer the reader to the note to the financial statements that discusses the change in detail? [SAS 58, as amended by SAS 79, pars. 11d and 16 (AU 508.11d and .16)]	_____	_____	_____
c. If the change in the accounting principle is a change in reporting entity that did not result from a transaction or an event, is an explanatory paragraph included in the auditor's report? (<i>Note:</i> A change in the reporting entity resulting from a transaction or event, such as a pooling of interest, or the creation, cessation or complete or partial purchase or disposition of a subsidiary or other business unit does not require that an explanatory paragraph about consistency be included in the auditor's report.) [SAS 88, par. 8 (AU 420.08)]	_____	_____	_____
14. In an updated report, the opinion is different from the opinion previously expressed on the financial statements of a prior period:			
a. Does the report include an explanatory paragraph, preceding the opinion paragraph, that discloses all of the substantive reasons for the different opinion?	_____	_____	_____
b. Does the explanatory paragraph disclose:			
(1) The date of the auditor's previous report?	_____	_____	_____
(2) The type of opinion previously expressed?	_____	_____	_____
(3) The circumstances or events that caused the auditor to express a different opinion?	_____	_____	_____
(4) That the auditor's updated opinion on the financial statements of the prior period is different from his or her previous opinion on those statements? [SAS 58, as amended by SAS 79, pars. 11e and 69 (AU 508.11e and .69)]	_____	_____	_____
15. If financial statements of a prior period (presented for comparative purposes) have been audited by a predecessor auditor whose report is not presented:			
a. Does the introductory paragraph of the report indicate:			
(1) That the financial statements of the prior period were audited by another auditor?	_____	_____	_____
(2) The date of the predecessor auditor's report?	_____	_____	_____
(3) The type of report issued by the predecessor auditor?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(4) If the report was other than a standard report, the substantive reasons therefor including a description of the nature of and reasons for the explanatory paragraph added to the predecessor's report or his or her opinion qualification?	_____	_____	_____
b. If the financial statements have been restated, does the introductory paragraph indicate that the predecessor auditor reported on the financial statements of the prior period before restatement? [SAS 58, as amended by SAS 79, pars. 11e and 74 (AU 508.11e and .74)]	_____	_____	_____
16. Is an explanatory paragraph (or other explanatory language) added to the standard auditor's report if:			
a. The auditor wishes to clarify that an audit performed in accordance with generally accepted auditing standards does not require the same level of testing and reporting on internal control over financial reporting as an audit of an issuer when Section 404(b) of the Sarbanes-Oxley Act is applicable? (<i>Note:</i> Not required—Interpretation 17 of SAS 58 provides an example report.) [Interpretation 17 of SAS 58 (AU 9508.85–.88)]	_____	_____	_____
b. The audit is conducted in accordance with both generally accepted auditing standards and the PCAOB's auditing standards? [Interpretation 18 of SAS 58 (AU 9508.89–.91)]	_____	_____	_____
17. Is an explanatory paragraph (or other explanatory language) added to the standard auditor's report if the prior period's financial statements are audited by a predecessor auditor who had ceased operations? [Interpretation 15 of SAS 58 (AU 9508.60–.75)]	_____	_____	_____
18. If selected quarterly financial data required by SEC Regulation S-K has been omitted or has not been reviewed, does the report include an additional paragraph stating that fact? [SAS 58, par. 11f (AU 508.11f); SAS 100, par. 50 (AU 722.50)]	_____	_____	_____
19. If supplementary information required by GAAP has been omitted, the presentation of such information departs materially from prescribed guidelines, the auditor is unable to complete prescribed procedures with respect to such information, or the auditor is unable to remove substantial doubt about whether the supplementary information conforms to prescribed guidelines, does the report include an additional paragraph stating that fact? [SAS 58, par. 11g (AU 508.11g); SAS 52, par. 8, as amended by SAS 98 (AU 558.08)]	_____	_____	_____
20. Is an explanatory paragraph (or other explanatory language) added to the standard auditor's report if there is a material change between periods in accounting principles or in the method of their application? [SAS 58, pars. 16–18, as amended by SAS 79 (AU 508.16–.18)]	_____	_____	_____
21. If the audit also was conducted in accordance with International Standards on Auditing, in their entirety, does the auditor's report indicate that the audit was also conducted in accordance with another set of auditing standards? [Interpretation 14 of SAS 58 (AU 9508.56–.59)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
22. If other information in a document containing audited financial statements is materially inconsistent with information appearing in the financial statements, has it been determined whether the financial statements, the auditor's report, or both require revision? [SAS 58, par. 11h (AU 508.11h); SAS 8, par. 4 (AU 550.04)]	_____	_____	_____
23. If certain other information has been subjected to auditing procedures applied in the audit of the basic financial statements, does the auditor express an opinion on whether the information is fairly stated in all material respects in relation to those financial statements taken as a whole in the auditor's report describing clearly the character of the auditor's work and the degree of responsibility the auditor is taking? [SAS 8, par. 7, as amended by SAS 98 (AU 550.07); SAS 52, par. 9, as amended by SAS 98 (AU 558.09)]	_____	_____	_____
24. If the auditor decides to emphasize a matter regarding the financial statements in the report, is the explanatory information presented in a separate paragraph that avoids use of phrases such as "with the foregoing (following) explanation"? [SAS 58, pars. 11 and 19, as amended by SAS 79 (AU 508.11 and .19); Interpretation 3 of SAS 1, sec. 410 (AU 9410.18); Interpretation 1 of SAS 57 (AU 9342.03)]	_____	_____	_____

Note: In March 2006, the AICPA's Auditing Standards Board issued Statement on Auditing Standards No. 104–111, which provide extensive guidance concerning the auditor's assessment of the risks of material misstatement in a financial statement audit, and the design and performance of audit procedures whose nature, timing and extent are responsive to the assessed risks. Among other things, the SASs establish standards and provide guidance on evaluating whether the audit evidence obtained affords a reasonable basis for an opinion regarding the financial statements under audit. The SASs are effective for audits of financial statements for periods beginning on or after December 15, 2006; earlier application is permitted.

25. If it has not been possible to conduct the audit in accordance with GAAS or to apply all of the procedures considered necessary in the circumstances, has consideration been given to the need to issue a qualified opinion or to disclaim an opinion? [SAS 58, as amended by SAS 79, par. 22 (AU 508.22)]	_____	_____	_____
26. If a qualified opinion is to be expressed because of a scope limitation:			
a. Are all of the substantive reasons for the qualification disclosed in one or more explanatory paragraphs preceding the opinion paragraph?	_____	_____	_____
b. Does the qualified opinion include the word <i>except</i> or <i>exception</i> in a phrase such as <i>except for</i> or <i>with the exception of</i> ?	_____	_____	_____
c. Is the situation described and referred to in both the scope and opinion paragraphs?	_____	_____	_____
d. Does the wording in the opinion paragraph indicate that the qualification pertains to the possible effects on the financial statements and not the scope limitation itself? [SAS 58, as amended by SAS 79, pars. 22–32 (AU 508.22–.32); SAS 110, par. 76]	_____	_____	_____

Yes No N/A

Practice Tips

Scope limitations can be imposed by the client or by circumstances such as the timing of the auditor's work, the inability to obtain sufficient appropriate audit evidence, or an inadequacy in the accounting records. This question also includes situations in which the auditor is unable to obtain sufficient appropriate audit evidence to support management's assertions about the nature of a matter involving an uncertainty and its presentation or disclosure in the financial statements.

[SAS 58, as amended by SAS 79, pars. 22 and 31 (AU 508.22 and 508.31)]

It also includes situations in which the auditor's only evidence of the existence and/or valuation of (a) investments without readily determinable fair value or (b) interests held in trust by a third-party trustee is receiving confirmation from a third party for those assets.

[Interpretation 1 of AU 328 (AU 9328.01-.04); Interpretation 1 of AU 332 (AU 9332.01-.04)]

Note: Consult the AU Topical Index to the AICPA *Professional Standards* under "Scope of Audit—Limitations" for additional references to specific types of scope limitations that could result in either a qualified or disclaimer of opinion.

27. Is a qualified opinion or disclaimer of opinion expressed if the auditor's understanding of internal control raises doubts about the auditability of an entity's financial statements, such as:

a. Concerns about the integrity of an entity's management cause the auditor to conclude that the risk of management misrepresentation in the financial statements is such that an audit cannot be conducted?

b. Concerns about the condition and reliability of an entity's records cause the auditor to conclude that it is unlikely that sufficient appropriate audit evidence will be available to support an unqualified opinion on the financial statements?

[SAS 109, par.109]

28. If an opinion is disclaimed because of a scope limitation:

a. Are all of the substantive reasons for the disclaimer stated in a separate paragraph or paragraphs?

b. Does the report state that the scope of the audit was not sufficient to warrant the expression of an opinion?

c. Does the report avoid identifying procedures that were performed?

d. Is the scope paragraph omitted?

e. If there are reservations about fair presentation of the financial statements in conformity with GAAP, are they described in the report?

[SAS 58, as amended by SAS 79, par. 63 (AU 508.63)]

29. If the financial statements are materially affected by a departure from GAAP (including inadequate disclosure, inappropriate accounting principles, and unreasonable accounting estimates), has consideration been given to the need to issue a qualified opinion or an adverse opinion?

[SAS 58, as amended by SAS 79, par. 35 (AU 508.35)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
30. If a qualified opinion is to be expressed because of a GAAP departure:			
a. Are all of the substantive reasons that have led to the conclusion that there is a departure from GAAP disclosed in one or more separate explanatory paragraphs preceding the opinion paragraph?	_____	_____	_____
b. Does the qualified opinion include the word <i>except</i> or <i>exception</i> in a phrase such as <i>except for</i> or <i>with the exception of</i> and a reference to the explanatory paragraph?	_____	_____	_____
c. Does the explanatory paragraph disclose the principle effects of the departure on financial position, results of operations, and cash flows, if practicable, or state that the effects are not reasonably determinable, if not practicable to do so? [SAS 58, as amended by SAS 79, pars. 37 and 38 (AU 508.37 and .38)]	_____	_____	_____
31. If an adverse opinion is to be expressed because of a GAAP departure:			
a. Are all of the substantive reasons for the adverse opinion disclosed in one or more separate explanatory paragraphs preceding the opinion paragraph?	_____	_____	_____
b. Does the explanatory paragraph disclose the principle effects of the departure on financial position, results of operations, and cash flows, if practicable, or state that the effects are not reasonably determinable, if not practicable to do so?	_____	_____	_____
c. State that the financial statements do not present fairly the financial position, or results of operations or cash flows in conformity with GAAP? [SAS 58, as amended by SAS 79, pars. 58 and 59 (AU 508.58 and .59)]	_____	_____	_____
<hr/> Note: Consult the AU Topical Index to the AICPA <i>Professional Standards</i> under "Departures From Established Principles," "Adverse Opinions," and "Qualified Opinions" for additional references to specific types of GAAP departures that could result in either a qualified or adverse opinion. <hr/>			
32. If information accompanies the basic financial statements and auditor's report in an auditor-submitted document, is it accompanied by a report that:			
a. States that the audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole?	_____	_____	_____
b. Specifically identifies the accompanying information?	_____	_____	_____
c. States that the accompanying information is presented for purposes of additional analysis and is not a required part of the basic financial statements?	_____	_____	_____
d. Includes either an opinion on whether the accompanying information is fairly stated in all material respects in relation to the basic financial statements taken as a whole or a disclaimer of opinion (depending on whether the information was subjected to the auditing procedures applied in the audit of the basic financial statements)? [SAS 29, par. 6 (AU 551.06)]	_____	_____	_____

Yes No N/A

Practice Tip

SAS 87, *Restricting the Use of an Auditor's Report*, provides guidance to auditors in determining whether an engagement requires a restricted-use report and, if so, what elements to include in that report.

33. If the financial statements and reports will be used by parties or distributed by the entity to parties other than the regulatory agencies to whose jurisdiction the entity is subject, has the standard form of report been modified as appropriate because of the departures from generally accepted accounting principles and has an additional paragraph been added to express an opinion on whether the financial statements are presented in conformity with the regulatory basis of accounting? (*Note:* Interpretation 15 of SAS 62 provides an example report.)
[SAS 1, sec. 544, par. 4 (AU 544.04); Interpretation 15 of SAS 62 (AU 9623.96–.98)]

34. If supplementary information is included in a client-prepared document and the auditor has not subjected to the procedures described in SAS 52, is the information either marked “unaudited” or has the auditor included an explanatory paragraph in the report disclaiming an opinion on the information?
[SAS 52, par. 3 (AU 558.03)]

Note: In May 2006, the AICPA's Auditing Standards Board (ASB) issued SAS No. 112, *Communication of Internal Control Related Matters Identified in an Audit*. The Statement supersedes SAS 60 of the same name (AU 325) and is effective for audits of financial statements for periods ending on or after December 15, 2006. Earlier implementation is permitted. Question 34 should be answered if SAS 112 is not applicable to the audit. Question 35 should be answered if SAS 112 is applicable to the audit.

35. Is the reporting form and content of SAS 60, paragraphs 9–19, followed when communicating internal control structure related matters noted in an audit?¹
[SAS 60, pars. 9–19 (AU 325.09–.19)]

36. Is the reporting form, content, and timing of SAS 112, paragraphs 20–30, followed when communicating matters related to an organization's internal control over financial reporting identified in an audit of financial statements?²
[SAS 112, pars. 20–30 (AU 325.20–.30)]

37. For OCBOA statements (e.g. statutory statements), has the auditor considered necessary disclosure requirements of AU 623 surrounding items that are the same as, or similar to, those in financial statements prepared in conformity with GAAP?
[Interpretation 12 of SAS 62 (AU 9623.60–.81)]

¹ Reportable conditions in internal control must be communicated, preferably in writing, to the audit committee.

² Auditors are required to communicate control deficiencies identified during an audit that are significant deficiencies or material weaknesses that were communicated in previous audits and have not yet been remediated. Those control deficiencies must be communicated in writing to the management and those charged with governance.

<u>Yes</u>	<u>No</u>	<u>N/A</u>
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Note: Interpretation 12, "Evaluation of the Appropriateness of Informative Disclosures in Insurance Enterprises' Financial Statements Prepared on a Statutory Basis," of AU 623, *Special Reports*, clarifies that provisions of the NAIC Accounting Practices and Procedures Manual or any other explicit rejection of a GAAP disclosure do not negate the requirements of AU 623.

FSP Section 20,500

Supplemental Information for Life Insurance Companies That Are Securities and Exchange Commission Registrants

.01 Footnote 3 to SAS 69 states, in part, that for Securities and Exchange Commission (SEC) registrants, rules and releases of the SEC have an authority similar to other officially established accounting principles.

Regulation S-X is the primary source of requirements for financial statements and related footnotes required to be included in documents filed with the SEC. In addition to Regulation S-X, preparers and auditors of financial statements should be familiar with the SEC's Financial Reporting Releases (FRR) and Staff Accounting Bulletins (SAB). FRRs communicate the SEC's position on accounting and auditing principles and practices. SABs represent interpretations and practices followed by the Division of Corporation Finance and the Office of the Chief Accountant of the SEC. Insurance companies are subject to the requirements of Articles 1-4, 7, 10, and 12 of Regulation S-X.

When determining compliance with SEC requirements, preparers and auditors should refer to the appropriate SEC pronouncements to ensure compliance with SEC disclosure rules. In particular, the following documents should be consulted:

- Regulation S-X, Article 1, Application of Regulation S-X
- Regulation S-X, Article 2, Qualifications and Reports of Accountants
- Regulation S-X, Article 3, General Instructions as to Financial Statements
- Regulation S-X, Article 4, Rules of General Application
- Regulation S-X, Article 7, Insurance Companies
- Regulation S-X, Article 10, Interim Financial Statements
- Regulation S-X, Article 12, Form and Content of Schedules
- Staff Accounting Bulletins—SABs reflect the SEC staff's views regarding accounting-related disclosure practices. They represent interpretations and policies followed by the Division of Corporation Finance and the Office of the Chief Accountant in administering the disclosure requirements of the federal securities laws.
- Financial Reporting Releases (FRR)—FRRs adopt, change, or interpret requirements relating to accounting, auditing, and disclosure issues.

FSP Section 20,600

Illustrative Financial Statements

.01 This section contains illustrative financial statements prepared in conformity with generally accepted accounting principles (GAAP). The financial statements are for illustrative purposes only, are not intended to be comprehensive and are not intended to establish preference among alternative principles acceptable under GAAP. Decisions about the application of the GAAP discussed in the accounting and financial reporting sections of the AICPA Audit and Accounting Guide *Life and Health Insurance Entities*, should not be made by reference to the illustrative financial statements but by a careful reading to the specified authoritative literature. The illustrative financial statements reflect many of the minimum disclosure requirements for a life and health insurance entity but do not include all of the amounts or transactions discussed in other chapters of the Guide or that might be found in practice. For example, the illustrative notes indicate the subject matter generally required to be disclosed, but they should be expanded, reduced, or otherwise modified to suit individual circumstances based on a careful reading of the specified authoritative literature.

.02 The illustrative financial statements do not include other transactions not unique to life and health insurance entities, such as disclosures about segments, employee benefit plans, certain risks and uncertainties, or postemployment benefits other than pensions. Preparers and auditors should consult authoritative pronouncements for guidance on presenting such other information.

.03 The illustrative financial statements do not reflect rules and releases of the Securities and Exchange Commission (SEC) that, for SEC registrants, have an authority similar to other officially established accounting principles. SEC Regulation S-X, Article 7, *Insurance Companies*, should be referred to.

.04 The illustrative financial statements also do not reflect the impact of laws and regulations of the insurance entity's state of domicile. The impact on the financial statements of such laws and regulations vary by state. Many states require conformity with the codification of statutory accounting practices in the NAIC Accounting Practices and Procedures Manual to the extent it does not conflict with its own state laws and regulations. Refer to the NAIC Accounting Practices and Procedures Manual, NAIC Annual Statement Instructions, and specific state laws and regulations to determine the impact of codification and individual state laws and regulations.

.05 These illustrative financial statements are not intended to include items that should be accounted for under the requirements of SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, and, therefore, do not reflect the requirements of SFAS 133 or its amendments. Practitioners should refer to SFAS 133 and related amendments for guidance on reporting derivative instruments and hedging activities. Items in the balance sheet and income statement have been cross-referenced to the applicable chapters of this Guide, for ease of locating information.

.06 Life and health insurance entities generally present unclassified balance sheets.

.07 Also, preparers and auditors of SEC-registrant financial statements are reminded that as discussed in SAB Topic 11M (SAB No. 74), and AU section 9410, Interpretation No. 3, "The Impact on an Auditor's Report of an FASB Statement Prior to the Statement's Effective Date," filings with the SEC that include financial statements for a period ending after the issuance of an accounting standard but before the required date of adoption of that accounting standard should include disclosure of the impact that the recently issued accounting standard will have on the financial position and results of operations of the registrant when such standard is adopted in a future period. The following disclosures should be considered by registrants:

- A brief description of the new standard, the date that adoption is required and the date that the registrant plans to adopt, if earlier;
- A discussion of the methods of adoption allowed by the standard and the method expected to be utilized by the registrant, if determined;
- A discussion of the impact that adoption of the standard is expected to have on the financial statements of the registrant, unless unknown or not reasonably estimable. In that case, a statement to that effect may be made;
- Disclosure of the potential impact of other significant matters that the registrant believes might result from the adoption of the new standard (such as technical violations of debt covenant agreements, planned or intended changes in business practices, etc.).

.08

ABC LIFE INSURANCE COMPANY

Balance Sheet

December 31, 20X2 and 20X1

(Amounts in Thousands)

	20X2	20X1
Assets		
Investments:		
Debt and equity securities:		
Fixed maturities, held to maturity, at amortized cost (estimated fair value: \$47,830 in 20X2 and \$45,255 in 20X1)	\$ 44,864	\$ 46,310
Fixed maturities, available for sale, at estimated fair value (amortized cost: \$247,525 in 20X2 and \$219,565 in 20X1)	255,893	214,563
Trading account securities, at estimated fair value (cost: \$4,220 in 20X2 and \$4,419 in 20X1)	3,950	4,190
Mortgage loans	79,258	106,692
Real estate	6,410	6,147
Policy loans	43,549	51,013
Short-term investments	7,515	6,321
Total investments	441,439	435,236
Cash and cash equivalents	5,285	3,343
Accrued investment income	6,660	8,026
Premiums due and other receivables, ¹ net of allowance of \$4,500 and \$2,100 for doubtful accounts	1,647	1,092
Reinsurance receivable on paid and unpaid losses	596	407
Reinsurance receivable related to contract holder liabilities	5,714	3,048
Deferred policy acquisition costs	38,936	36,429
Property and equipment, net of accumulated depreciation	501	420
Other assets	152	158
Separate account assets	732	525
Total assets	\$501,662	\$488,684
Liabilities		
Future policy benefits	\$345,887	\$341,207
Guaranteed interest contracts	21,342	23,555
Policyholders funds on deposit	49,408	46,202
Unpaid claims	5,418	4,737
Policyholders dividends	2,335	3,450
Amounts held in escrow and accrued expenses	4,977	4,562
Deferred federal income taxes	1,412	1,027
Other liabilities	253	4,465
Separate account liabilities	732	525
Total liabilities	431,764	429,730
Commitments and contingencies (Note 12)		

(continued)

¹ SOP 01-6, *Accounting by Certain Entities (Including Entities With Trade Receivables) That Lend to or Finance the Activities of Others*, requires, among other things, that the summary of significant accounting policies include the basis for accounting for trade receivables, and the classification and method of accounting for other receivables. SOP 01-6 requires that a description of the accounting policies and methodology the entity used to estimate its allowance for doubtful accounts be included in the notes to the financial statements. Such a description should identify the factors that influenced management's judgment and may also include discussion of risk elements relevant to particular categories of financial instruments. In addition, SOP 01-6 requires that the summary of significant accounting policies include the policy for charging off uncollectible trade receivables.

SOP 01-6 contains other presentation and disclosure requirements that may apply to the financial statements of insurance entities. Readers should refer to the full text of SOP 01-6.

	<u>20X2</u>	<u>20X1</u>
Shareholders' Equity		
Capital stock: authorized—5,000,000 shares of \$2 par value; 3,341,624 shares issued and outstanding	6,683	6,683
Retained earnings	57,776	55,522
Accumulated other comprehensive income	5,439	(3,251)
Total shareholders' equity	<u>69,898</u>	<u>58,954</u>
Total liabilities and shareholders' equity	<u>\$501,662</u>	<u>\$488,684</u>

See accompanying notes to financial statements.

.09

ABC LIFE INSURANCE COMPANY
Statements of Income
Years Ended December 31, 20X2 and 20X1
(Amounts in Thousands)

	<u>20X2</u>	<u>20X1</u>
Premiums and Other Revenues		
Premiums:		
Life and annuity premiums	\$24,833	\$24,783
Accident and health premiums	10,141	9,153
Other premiums	20	43
Contract holder fees	1,961	1,844
Net investment income	32,998	35,141
Net realized gains (losses) on investments and other	4,222	(2,670)
Total premiums and other revenues	<u>74,175</u>	<u>68,294</u>
Benefits and Other Expenses		
Policyholder benefits	39,158	30,815
Interest credited to policyholder accounts	4,363	4,156
General expenses	4,288	4,984
Amortization of deferred policy acquisition costs	1,276	1,305
Underwriting, acquisition, and insurance expenses	18,029	17,266
Policyholders' dividends	4,665	6,898
Total benefits and expenses	<u>71,779</u>	<u>65,424</u>
Income before income taxes	2,396	2,870
Income taxes:		
Current	1,547	601
Deferred	(1,405)	540
Total income taxes	<u>142</u>	<u>1,141</u>
Net income	<u>2,254</u>	<u>1,729</u>
Net income per common share	<u>.67</u>	<u>.52</u>
Dividends per common share	<u>—</u>	<u>.98</u>

See accompanying notes to financial statements.

.10

ABC LIFE INSURANCE COMPANY
Statements of Comprehensive Income (Loss)
Years Ended December 31, 20X2 and 20X1
(Amounts in Thousands)

	<u>20X2</u>	<u>20X1</u>
Net Income	\$ 2,254	\$ 1,729
Other comprehensive income (loss)	<u>8,690</u>	<u>(1,730)</u>
Total comprehensive income (loss)	<u><u>\$10,944</u></u>	<u><u>\$ (1)</u></u>

See Note 5 to the financial statements for information about other comprehensive income (loss).

.11

ABC LIFE INSURANCE COMPANY
Statement of Changes in Shareholders' Equity
Years Ended December 31, 20X2 and 20X1
(Amounts in Thousands)

	<i>Capital Stock</i>	<i>Retained Earnings</i>	<i>Accumulated Other Comprehensive Income (Loss)</i>	<i>Total Shareholders' Equity</i>
Balance at January 1, 20X1	\$6,683	\$57,068	\$(1,521)	\$62,230
Net income for 20X1	—	1,729	—	1,729
Shareholders' dividends	—	(3,275)	—	(3,275)
Other comprehensive income (loss)	—	—	(1,730)	(1,730)
Balance at December 31, 20X1	6,683	55,522	(3,251)	58,954
Net income for 20X2	—	2,254	—	2,254
Other comprehensive income	—	—	8,690	8,690
Balance at December 31, 20X2	<u>\$6,683</u>	<u>\$57,776</u>	<u>\$ 5,439</u>	<u>\$69,898</u>

See accompanying notes to financial statements.

.12

ABC LIFE INSURANCE COMPANY
Statements of Cash Flows
Years Ended December 31, 20X2 and 20X1
(Amounts in Thousands)

	<u>20X2</u>	<u>20X1</u>
Cash flows from operating activities:		
Net income	\$ 2,254	\$ 1,729
Adjustments to reconcile net income to net cash provided by operating activities:		
Interest credited to universal life policies	7,927	10,445
Accrual of discount on investments, net	(976)	(1,328)
Net realized (gains) losses on investments	(4,222)	2,670
Depreciation and amortization	3,041	3,534
Amortization of deferred policy acquisition costs	1,276	1,305
Deferred federal income taxes	(2,538)	540
Change in operating assets and liabilities:		
Accrued investment income	1,366	880
Capitalization of deferred policy acquisition costs	(3,783)	(6,645)
Policy liabilities	(3,440)	(16,234)
Other items, net	(644)	3,269
Net cash provided by operating activities	<u>261</u>	<u>165</u>
Cash flows from investing activities:		
Cost of investments purchased:		
Fixed maturities and equity securities	(228,053)	(122,495)
Mortgage loans and real estate	(921)	—
Proceeds from investments sold, redeemed, or matured:		
Fixed maturities and equity securities	206,051	95,177
Mortgage loans and real estate	27,970	18,621
Policy loans, net	2,320	6,468
Short-term investments, net	409	15,446
Net cash provided by investing activities	<u>7,776</u>	<u>13,217</u>
Cash flows from financing activities:		
Dividends to shareholders	—	(3,275)
Receipts from universal life policies credited to contract holder account balances	7,918	8,365
Return of contract holder account balances on universal life policies	(4,165)	(3,718)
Withdrawals from interest-sensitive contracts	(9,848)	(13,046)
Cash used in financing activities	<u>(6,095)</u>	<u>(11,674)</u>
Net increase in cash and cash equivalents	1,942	1,708
Cash and cash equivalents, beginning of year	3,343	1,635
Cash and cash equivalents, end of year	<u>\$ 5,285</u>	<u>\$ 3,343</u>
Supplemental cash flow information:		
Income taxes paid	<u>\$ 1,205</u>	<u>\$ 785</u>

See accompanying notes to financial statements.

.13

ABC LIFE INSURANCE COMPANY
Notes to Financial Statements
Years Ended December 31, 20X2 and 20X1

Note 1: Organization and Significant Accounting Policies

Organization. ABC Life Insurance Company (ABC or the Company) is a stock life insurance company incorporated in the state of ABC that offers individual life, disability income, long-term care, annuity, and investment products. ABC does business in the continental United States, with a concentration in New York, New Jersey, and Connecticut.

Basis of presentation. The significant accounting policies followed by ABC that materially affect financial reporting are summarized below. The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) that differ from statutory accounting practices (SAP) used for regulatory authorities. The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments. Fixed maturity securities available for sale consist of bonds, notes, and redeemable and nonredeemable preferred stock not classified as either trading or held to maturity, and are reported at estimated fair value. Unrealized holding gains and losses, net of tax, on available-for-sale securities are reported as a net amount in other comprehensive income. Deferred policy acquisition cost offsets for universal life type contracts and amounts attributable to certain participating contracts are recorded as a separate component of accumulated other comprehensive income. Fixed maturity securities held to maturity consist of bonds, notes, redeemable and nonredeemable preferred stock which the insurance company has the intent and ability to hold to maturity, and are reported at amortized cost and adjusted for amortization of premium or discount. Declines in fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary have resulted in write-downs of the individual securities to their fair value. The related write-downs have been included in earnings as realized losses. Trading account securities consist of bonds, notes, and redeemable and nonredeemable preferred stock, and common stock held principally for resale in the near term, and are recorded at their estimated fair values. Realized and unrealized gains and losses on trading account securities are included in other income.

Mortgage loans on real estate are carried at unpaid balances and are adjusted for amortization of premium or discount, less allowance for losses. Real estate held for sale is carried at the lower of depreciated cost or fair value less estimated selling costs. Real estate classified as held-for-sale is no longer depreciated. Real estate, including real estate acquired in satisfaction of debt, is carried at depreciated cost. Impaired real estate is written down to fair value with the impairment loss being included in net realized gains (losses) on investments and other. Upon foreclosure (including in-substance foreclosure), the carrying value of the property is recorded at the lower of cost or fair value (less selling costs if to be sold), which becomes its new cost basis. The estimated fair value for real estate is determined based upon independent appraisals and other available information about the property, which may take into consideration a number of factors, including: (i) discounted cash flows (ii) sales of comparable properties (iii) geographic location of property and related market conditions (iv) disposition costs.

Foreclosed properties are actively managed by the company in order to maximize their value. Subsequent to foreclosure, the carrying value of the property is periodically evaluated and a valuation allowance is established, if necessary, to reflect any additional amounts considered unrecoverable upon sale. At the time of the sale, the difference between the sales price and the

carrying value is recorded as a realized gain or loss. Policy loans are carried at unpaid balances. Short-term investments are stated at amortized cost, which approximates fair value.

Provisions for impairments of securities classified as held to maturity are included in net realized gains (losses) on investments and other. Realized gains and losses are determined by specific identification.

Cash and cash equivalents. Cash equivalents are carried at cost, which approximates fair value. Cash equivalents are highly liquid financial instruments with an original maturity of three months or less.

Deferred policy acquisition costs. Commissions and other costs of acquiring traditional life insurance, universal life insurance and investment products, and accident and health insurance, that vary with and are primarily related to the production of new and renewal business, have been deferred. Traditional life insurance and accident and health insurance acquisition costs are being amortized over the premium-paying period of the related policies using assumptions consistent with those used in computing future policy benefit liabilities. For universal life-type contracts and investment contracts that include significant surrender charges or that yield significant revenues from sources other than the investment of contract holders' funds, the deferred contract acquisition cost amortization is matched to the recognition of gross profit.

Otherwise, deferred contract acquisition costs on investment contracts are amortized using an accounting method that recognizes acquisition costs as expenses at a constant rate applied to net policy liabilities. The effect on the deferred acquisition costs (DAC) asset that would result from realization of unrealized gains (losses) is recognized with an offset to accumulated other comprehensive income in consolidated shareholders' equity as of the balance sheet date. In reporting disclosures about the accounting policy on internal replacements, entities should comply primarily with the requirements of paragraph 28 of SOP 05-1, and describe the accounting policy applied to internal replacements.

Deferred sales inducements. Costs related to sales inducements offered on sales to new customers, principally on investment contracts and primarily in the form of additional credits to the customer's account value or enhancements to interest credited for a specified period, which are beyond amounts currently being credited to existing contracts, are deferred and recorded as other assets. All other sales inducements are expensed as incurred and included in interest credited to contract holders' funds. Deferred sales inducements are amortized to income using the same methodology and assumptions as deferred acquisition costs, and are included in interest credited to contract holders' funds. Deferred sales inducements are periodically reviewed for recoverability and written down when necessary.

Property and equipment. Property and equipment are reported at cost, net of accumulated depreciation of \$1,915,000 and \$1,721,000 in 20X2 and 20X1, respectively. Property and equipment are depreciated using the straight-line method over their estimated useful lives.

Future policy benefits and expenses. The liabilities for traditional life insurance and accident and health insurance contract benefits and expenses are computed using a net level premium method including assumptions as to investment yields, mortality, withdrawals, and other assumptions based on ABC's experience modified as necessary to reflect anticipated trends and to include provisions for possible unfavorable deviations. Liability interest assumptions are graded and range from 3 percent to 10 percent. Benefit liabilities for traditional life insurance contracts include certain deferred profits on limited-payment policies that are being recognized in income over the contract term. Contract benefit claims are charged to expense in the period that the claims are incurred.

The accrued account balance for nontraditional life insurance and investment contracts is computed as deposits net of withdrawals made by the contract holder, plus amounts credited based on contract specifications, less contract fees and charges assessed, plus any additional interest. Interest crediting rates for universal life and investment products range from 5.50 percent to 9.25 percent.

Included in contract holders' account balances is a provision for contract holder dividends. Benefit liabilities for contract holders' account balances are computed under a retrospective deposit method and represent contract account balances before applicable surrender charges. Contract benefits and claims that are charged to expense include benefit claims incurred in the period in excess of related contract account balances. Interest crediting rates for universal life and investment products range from 5.50 percent to 9.25 percent. Benefits and expenses are charged against the account balance to recognize costs as incurred over the estimated lives of the contracts. Expenses include interest credited to contract account balances and benefits paid in excess of contract account balances.

Minimum Guarantees. The company issues variable annuity contracts through separate accounts where the company contractually guarantees to the contract holder total deposits made to the contract less any partial withdrawals plus a minimum return. This guarantee includes benefits that are payable in the event of death, annuitization, or at specified dates during the accumulation period.

Accounting policy for health liabilities. Unpaid claims on accident and health policies represent the estimated liability for benefit expenses both reported but not paid and incurred but not reported to ABC through December 31. ABC does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using individual case-basis valuations and statistical analyses. Those estimates are subject to the effects of trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the liabilities for unpaid claims are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Income taxes. Federal income taxes are charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year. Deferred income taxes have been provided for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements using enacted income tax rates and laws.

Reinsurance. In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding reinsurance to other insurance entities or reinsurers under excess coverage and coinsurance contracts. The Company retains a maximum of \$400,000 of coverage per individual life. Amounts paid or deemed to have been paid for reinsurance contracts are recorded as reinsurance receivable.

Insurance premium revenues. Traditional life premiums, which include those products with fixed and guaranteed premiums and benefits and consist principally of whole life insurance contracts, limited-payment life insurance contracts, and certain annuities with life contingencies, are generally recognized as revenue when due. Revenues on universal life and investment-type contracts consist of contract charges against contract holders' funds for the cost of insurance, administration, surrender charges, actuarial margin, and other fees. Accident and health insurance premiums are recognized as revenue pro rata over the terms of the contracts.

Separate accounts. Separate account assets and liabilities generally represent funds maintained in accounts to meet specific investment objectives of contract holders who bear the investment risk. Investment income and investment gains and losses accrue directly to such contract holders. The assets supporting the variable portion of both traditional variable annuities and variable contracts with guarantees are carried at fair value and reported as summary total separate account assets with an equivalent summary total reported for liabilities. Amounts assessed against the contract holders for mortality, administrative, and other services are included in revenue and changes in liabilities for minimum guarantees are included in policyholder benefits in the Statement of Operations. Separate account net investment income, net investment gains and losses, and the related liability changes are offset within the same line item in the Statement of Operations.

Business risks and uncertainties. The development of liabilities for future policy benefits for the Company's products requires management to make estimates and assumptions regarding mortality, morbidity, lapse, expense, and investment experience. Such estimates are primarily based on historical experience and future expectations of mortality, morbidity, expense, persistency, and investment assumptions. Actual results could differ materially from those estimates. Management monitors actual experience and, if circumstances warrant, revises its assumptions and the related future policy benefit estimates.

The Company's investments are primarily comprised of fixed maturity securities, equity securities, real estate, and mortgage loans. Significant changes in prevailing interest rates and geographic conditions may adversely affect the timing and amount of cash flows on such investments and their related values. In addition, the value of these investments is often derived from an appraisal, an estimate or opinion of value. A significant decline in the fair value of these investments could have an adverse effect on the Company's balance sheet.

The Company regularly invests in mortgaged backed securities (MBS) and other securities subject to prepayment and call risk. Significant changes in prevailing interest rates may adversely affect the timing and amount of cash flows on such securities. In addition, the amortization of market premium and accretion of market discount for MBS is based on historical experience and estimates of future payment speeds on the underlying mortgage loans. Actual prepayment speeds will differ from original estimates and may result in material adjustments to amortization or accretion recorded in future periods.

Codification. The National Association of Insurance Commissioners revised the *Accounting Practices and Procedures Manual* in a process referred to as Codification. Codification became effective on January 1, 2001. The Company's state of domicile has adopted the provisions of the revised manual effective January 1, 2001. The revised manual has changed to some extent, prescribed statutory accounting practices, and has resulted in changes to the Company's statutory-based financial statements. The cumulative effect of changes in accounting principles adopted to conform to the revised *Accounting Practices and Procedures Manual* of \$____ has been reported as an adjustment to increase (decrease) surplus in the Company's statutory-based financial statements as of January 1, 2001.

Guaranty Funds. Guaranty fund (and other) assessments are accrued at the time the events occur on which assessments are expected to be based.

Note 2: Earnings Per Common Share

Basic and diluted earnings per common share (EPS) are as follows.

<i>(Thousands, except per common share data)</i>	<i>Income (Numerator)</i>	<i>Shares (Denominator)</i>	<i>Per Common Share Amount</i>
20X2			
Net income	<u>2,254</u>		
Income applicable to common ownership	2,254	3,342	.67
20X1			
Net income	<u>1,729</u>		
Income applicable to common ownership	1,729	3,342	.52

Note 3: Investments

In reporting disclosures about investments in securities, entities should comply primarily with the requirements of paragraphs 6, 17, 19, 20, 21, and 22 of SFAS 115 (as amended); paragraphs 17 and 18 of FSP FAS 115-1/124-1; paragraphs 47 and 48 of SFAS 60 (as amended); paragraphs 22, 23, and 28 of SFAS 91 (as amended); and Appendix C of the *Life and Health Insurance Entities Audit and Accounting Guide*. Other disclosure requirements may also be applicable.

Note 4: Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Short-term investments. For those short-term instruments amortized cost is a reasonable estimate of fair value.

Investment securities and trading account assets. For securities held for trading purposes and marketable equity securities held for investment purposes, fair values are based on quoted market prices or dealer quotes. For other securities held as investments, fair value equals quoted market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Mortgage loans on real estate and policy loans. The fair value of mortgage loans on real estate is estimated using discounted cash flows. The fair value of policy loans is estimated by discounting the future cash flows using reasonable assumptions for mortality and repayments and using the current rates at which similar loans would be made to contract holders with similar credit ratings and the same remaining maturities.

The estimated fair values of ABC's mortgage loans on real estate and policy loans are as follows.

	20X2		20X1	
	(Amounts in thousands)			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgage loans on real estate	\$79,258	\$83,506	\$106,692	\$112,027
Policy loans	43,549	60,000	51,013	59,000

Note 5: Accumulated Other Comprehensive Income

Accumulated other comprehensive income (loss) represents cumulative gains and losses on items that are not reflected in earnings. The balances and activity for the years 20X2 and 20X1 are as follows.

	<u>20X2</u>	<u>20X1</u>
	<i>(Amounts in thousands)</i>	
Changes in net unrealized gains (losses) on investment securities:		
Net unrealized gains (losses) arising during the period	\$13,324	\$(1,873)
Reclassification adjustment for gains (losses) included in net earnings	46	(300)
Changes in net unrealized gains (losses) on investment securities	13,370	(2,173)
Adjustments for:		
Policyholder liabilities, deferred acquisition costs and deferred federal income taxes	(4,680)	443
Changes in net unrealized gains (losses) net of adjustments	8,690	(1,730)
Total other comprehensive income (loss)	<u>\$ 8,690</u>	<u>\$(1,730)</u>

Note 6: Income Taxes

Significant components for income tax expense attributable to continuing operations are as follows.

	<u>20X2</u>	<u>20X1</u>
	<i>(Amounts in thousands)</i>	
Current income tax expense	\$ 1,547	\$ 601
Deferred income tax (benefit) expense	(1,405)	540
Total income tax expense	<u>\$ 142</u>	<u>\$1,141</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the company's deferred tax liabilities and assets are as follows.

	<i>December 31, 20X2</i>	<i>December 31, 20X1</i>
	<i>(Amounts in thousands)</i>	
Deferred tax liabilities:		
Deferred policy acquisition costs	\$13,131	\$12,297
Future policy benefits	—	512
Accrual of discount on bonds	924	1,982
Other	3,641	1,024
Total deferred tax liabilities	<u>17,696</u>	<u>15,815</u>
Deferred tax assets:		
Policyholder dividends	8,067	8,224
Future policy benefits	851	—
Deferred policy acquisition costs	2,078	1,561
Investment valuation allowance	1,087	1,651
Retirement plan accruals	1,917	497
Tax credits and loss carryforwards	1,820	1,945
Investment income differences	574	556
Other	406	354
Total deferred tax assets	<u>16,800</u>	<u>14,788</u>
Valuation allowance for deferred tax assets	<u>(516)</u>	<u>—</u>
Net deferred tax assets	<u>16,284</u>	<u>14,788</u>
Net deferred tax liabilities	<u>\$ 1,412</u>	<u>\$ 1,027</u>

A Valuation allowance has been established due to the uncertainty of realized certain tax credits and loss carryforwards, and a portion of other deferred tax assets.

A reconciliation of federal income tax expense as presented in the financial statements and income taxes calculated using the statutory corporate tax rate follows.

	<i>20X2</i>	<i>20X1</i>
	<i>(Amounts in thousands)</i>	
Income from operations	<u>\$2,396</u>	<u>\$2,870</u>
Application of income tax rate	838	1,005
Small company deduction for life insurance companies	(556)	(496)
Policyholders' share of income (loss) in excess of (less than)		
dividends paid	(264)	752
Dividend received deduction	(3)	(50)
Other	127	(70)
Total tax expense	<u>\$ 142</u>	<u>\$1,141</u>

Note 7: Concentration of Credit Risk

At December 31, 20X2, ABC held unrated or less-than-investment grade corporate debt securities of \$8,000,000, net of allowance for losses, with an aggregate market value of \$7,500,000. Those holdings amounted to 4 percent of ABC's corporate debt securities investments and less than 2 percent of total assets. The holdings of less-than-investment grade securities are widely diversified and of satisfactory quality based on ABC's investment policies and credit standards. ABC also invests in mortgage loans principally involving commercial real estate. At December 31, 20X2, 3 percent of such mortgages (\$2,000,000) involved properties located in California and Arizona. Such investments consist of first mortgage liens on completed income-producing properties, and mortgages on individual properties do not exceed \$300,000.

Note 8: Liability for Unpaid Claims and Claim Adjustment Expenses

The liability for unpaid claims and claim adjustment expenses is based on the estimated amount payable on claims reported prior to the balance sheet date that have not yet been settled, claims reported subsequent to the balance sheet date that have been incurred during the period then ended, and an estimate (based on prior experience) of incurred but unreported claims relating to such period.

Activity in the liability for unpaid claims and claim adjustment expenses for the Company's health and disability coverages is summarized as follows.

	<u>20X2</u>	<u>20X1</u>
	<i>(Amounts in thousands)</i>	
Balance, beginning of year	\$ 4,737	\$ 7,669
Less: reinsurance recoverables	296	1,018
Net balance, beginning of year	<u>4,441</u>	<u>6,651</u>
Amount incurred, related to		
Prior years	\$ (297)	\$ 313
Current year	<u>26,197</u>	<u>25,671</u>
Total	25,900	25,984
Amount paid, related to		
Prior years	6,923	8,937
Current year	<u>18,303</u>	<u>19,257</u>
Total	<u>25,226</u>	<u>28,194</u>
Net balance, end of year	5,115	4,441
Plus: reinsurance recoverables	<u>303</u>	<u>296</u>
Balance, end of year	<u><u>\$ 5,418</u></u>	<u><u>\$ 4,737</u></u>

As a result of changes in estimates of insured events in prior years, the claims and claim adjustment expenses (net of reinsurance recoveries of \$(7,000) and \$722,000 in 20X2 and 20X1, respectively) decreased by \$297,000 in 20X2 reflecting lower-than-anticipated losses on _____, and increased by \$313,000 in 20X1 reflecting higher-than-anticipated losses and related expenses for claims for _____.

Note 9: Minimum Guarantees

The following summarizes the liabilities for guarantees on variable contracts reflected in the general account:

	<i>Minimum Guaranteed Death Benefit (MGDB)</i>	<i>Guaranteed Minimum Accumulation Benefit (GMAB)</i>	<i>Guaranteed Minimum Income Benefit (GMIB)</i>	<i>Totals</i>
Balance at January 1	\$X,XXX,XXX	\$X,XXX,XXX	\$X,XXX,XXX	\$X,XXX,XXX
Incurred guarantee benefits ²	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX	\$X,XXX,XXX
Paid guarantee benefits	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>
Balance at December 31, 20XX ³	<u><u>\$X,XXX,XXX</u></u>	<u><u>\$X,XXX,XXX</u></u>	<u><u>\$X,XXX,XXX</u></u>	<u><u>\$X,XXX,XXX</u></u>

² For guaranteed minimum accumulation benefits, incurred guarantee benefits incorporates all changes in fair value other than amounts resulting from paid guarantee benefits.

³ Included in the total reserve balance are reserves for variable annuity death benefits of \$_____, variable annuity income benefits of \$_____ and other guarantees of \$_____.

The minimum guaranteed death benefit (MGDB) liability is established equal to a benefit ratio multiplied by the cumulative contract charges earned, plus accrued interest less contract benefit payments. The benefit ratio is calculated as the estimated present value of all expected contract benefits divided by the present value of all expected contract charges. The Company regularly evaluates estimates used and adjusts the additional liability balance, with a related charge or credit to benefit expense, if actual experience or other evidence suggests that earlier assumptions should be revised.

The following assumptions and methodology were used to determine the MGDB liability at December 31, 20XX:

- Data used was 1,000 stochastically generated investment performance scenarios.
- Mean investment performance assumption was XX.
- Volatility assumption was XX.
- Mortality was assumed to be 90 percent of the Annuity 2000 table.
- Lapse rates vary by contract type and duration and range from 1 percent to 20 percent, with an average of 3 percent.
- Discount rate was XX%.

Guaranteed minimum accumulation benefits are considered to be derivatives under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, and are recognized at fair value through earnings.

The guaranteed minimum income benefit (GMIB) liability is established equal to a benefit ratio multiplied by the cumulative contract charges earned, plus accrued interest less contract benefit payments. The benefit ratio is calculated as the estimated present value of all expected contract benefits divided by the present value of all expected contract charges. The Company regularly evaluates estimates used and adjusts the additional liability balance, with a related charge or credit to benefit expense, if actual experience or other evidence suggests that earlier assumptions should be revised. The assumptions used for calculating the GMIB liability at December 31, 20XX, are consistent with those used for calculating the MGDB liability. [Underlying assumptions for the liability related to income benefits include assumed future annuitization elections based on factors such as the extent of benefit to the potential annuitant, eligibility conditions and the annuitant's attained age.] In addition, the calculation of the GMIB liability assumes X percent of the potential annuitizations that would be beneficial to the contract holder will be elected.

Note 10: Reinsurance

The Company utilizes indemnity reinsurance agreements to reduce its exposure to large losses in all aspects of its insurance business. Such reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Company as direct insurer of the risks reinsured. The Company evaluates the financial strength of potential reinsurers and continually monitors the financial condition of reinsurers. The following tables include premium amounts ceded/assumed to/from other companies.

	<u>Direct Amount</u>	<u>Ceded to Other Companies</u>	<u>Assumed from Other Companies</u>	<u>Net Amount</u>
	(Amounts in thousands)			
<u>20X2</u>				
Premiums:				
Life insurance	\$2,090	\$ 560	\$3,330	\$4,860
Accident and health	1,440	1,290	—	150
Annuities	3,130	—	70	3,200
Total earned premiums	<u>\$6,660</u>	<u>\$1,850</u>	<u>\$3,400</u>	<u>\$8,210</u>
<u>20X1</u>				
Premiums:				
Life insurance	\$2,080	\$ 520	\$3,680	\$5,240
Accident and health	1,510	1,370	—	140
Annuities	1,840	—	30	1,870
Total earned premiums	<u>\$5,430</u>	<u>\$1,890</u>	<u>\$3,710</u>	<u>\$7,250</u>

Note 11: Separate Accounts

At December 31, 20X1 and 20X2, the company had the following variable contracts with guarantees. The Company's variable annuity contracts may offer more than one type of guarantee in each contract; therefore, the sum of amounts listed exceeds the total account balances of variable annuity contracts' separate accounts with guarantees.

Return of net deposits plus a minimum return:

In the event of death

Account value	\$XXX	\$XXX
Net amount at risk ⁴	\$XXX	\$XXX
Average attained age of contract holders	XX	XX
Range of guaranteed minimum return rates	X-X%	X-X%

At annuitization

Account value	\$XXX	\$XXX
Net amount at risk ⁵	\$XXX	\$XXX
Weighted average period remaining until expected annuitization	XX	XX
Range of guaranteed minimum return rates	X-X%	X-X%

Accumulation at specified date

Account value	\$XXX	\$XXX
Net amount at risk ⁶	\$XXX	\$XXX
Range of guaranteed minimum return rates	X-X%	X-X%

⁴ Defined as the current guaranteed minimum death benefit in excess of the current account balance at the balance sheet date.

⁵ Defined as the present value of the minimum guaranteed annuity payments determined in accordance with the terms of the contract in excess of the current account balance.

⁶ Defined as the present value of the guaranteed minimum accumulation balance in excess of the current account balance.

Account balances of contracts with guarantees were invested in variable separate accounts as follows:

<u>Asset Type</u>	<u>December 31, 20X1</u>	<u>December 31, 20X2</u>
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$	\$
Obligations of states of the United States and political subdivisions of the states		
Corporate debt securities:		
—Investment grade		
—Noninvestment grade		
Foreign debt securities		
Mortgage-backed securities		
Equity securities (including mutual funds) ⁷		
Real estate		
Mortgage loans		
Derivative financial instruments		
Cash and cash equivalents		
Total	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>

Assets transferred from the general account to the separate accounts are recognized at fair value to the extent of third-party contract holders' proportionate interest in separate accounts when the arrangement meets applicable criteria (paragraph 11 of SOP 03-1). The gains recognized assets transferred to the separate accounts during 20X2 and 20X1 were XX,XXX and XX,XXX, respectively.

Note 12: Guaranty Fund Assessments

At December 31, 20X2 and 20X1, ABC has recorded \$45,000 and \$67,000, respectively, in liabilities related to guaranty fund (and other) assessments which are included in other liabilities in the balance sheet. At December 31, 20X2 and 20X1, the carried liability was reduced by recoverables for related premium tax offsets and policy surcharges in the amount of \$25,000 and \$35,000, respectively. The period over which the assessments are expected to be paid and the recorded premium tax offsets and policy surcharges are expected to be realized is up to five and four years, respectively.

Note 13: Statutory Financial Information

Under the law of ABC State, the state of incorporation, the maximum dividend that may be paid (without prior approval of the (ABC State) Insurance Department), in any twelve-month period is the greater of (a) net investment income for the preceding calendar year or (b) 10 percent of contract holders' surplus at the end of the preceding calendar year. In general, net investment income for dividend purposes is interpreted by the Insurance Department to be the statutory pretax net investment income including net realized capital losses but excluding net realized capital gains. The maximum permissible amount of dividends for 20X3, based on statutory net investment income for 20X2, is \$20,000.

The Company, which is domiciled in ABC State, prepares its statutory financial statements in accordance with accounting principles and practices prescribed or permitted by the ABC state insurance department, which (state of domicile) recognizes for determining solvency under the

⁷ The insurance enterprise may want to consider disclosing mutual funds by investment objective or other meaningful groupings that are useful in understanding the nature of the guarantee risk.

(state of domicile) Insurance Law. The commissioner of the state of domicile Insurance Department has the right to permit other practices that may deviate from prescribed practices. Prescribed SAP are those practices that are incorporated directly or by reference in state laws, regulations, and general administrative rules applicable to all insurance enterprises domiciled in (state of domicile). Permitted SAP encompass all accounting practices that are not prescribed; such practices differ from state to state, may differ from company to company within a state, and may change in the future.

Note: Although the following reconciliation to statutory financial information is not required to be disclosed in financial statements prepared in conformity with GAAP, insurance entities sometimes include such disclosures to facilitate use of those financial statements for purposes of filing with state regulatory authorities. The second disclosure on variances from NAIC SAP (as defined below) and permitted accounting practices is required under SOP 94-5, as amended by SOP 01-5.

The following reconciles ABC's statutory net income and statutory surplus and capital stock determined in accordance with accounting practices prescribed or permitted by the Insurance Department of Connecticut with net earnings (loss) and equity on a GAAP basis.

	<u>20X2</u>	<u>20X1</u>
	<i>(Amounts in thousands)</i>	
Statutory net income	\$ 3,572	\$ 2,719
Adjustments:		
Future policy benefits and policyholders' account balances	572	894
Deferred policy acquisition costs	60	40
Deferred federal income tax (expense) benefit	(1,405)	540
Valuation of investments	115	270
Postretirement benefits	272	354
Other, net	(932)	(3,088)
GAAP net income	<u>\$ 2,254</u>	<u>\$ 1,729</u>
Statutory surplus and capital stock	\$65,388	\$54,505
Asset valuation reserves	(1,054)	(1,972)
Statutory surplus, capital stock and asset valuation reserves	(875)	(967)
Adjustments:		
Fixed income securities	(29,472)	(27,905)
Future policy benefits and policyholders' account balances	115	270
Deferred federal income taxes	(1,412)	(1,027)
Valuation of investments	772	891
Deferred policy acquisition costs	38,936	36,429
Postretirement benefits	(2,272)	(2,354)
Other, net	(1,228)	(1,084)
GAAP equity	<u>\$69,898</u>	<u>\$58,954</u>

The Company's statutory financial statements are presented on the basis of accounting practices prescribed or permitted by the [state of domicile] Insurance Department. [State of domicile] has adopted the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual as the basis of its statutory accounting practices (NAIC SAP), except that it has retained the prescribed practice of writing off goodwill immediately to statutory surplus in the year of acquisition.

In addition, the commissioner of [state of domicile] Insurance Department has the right to permit other specific practices that may deviate from prescribed practices. The commissioner has permitted the Company to record its home office property at estimated fair value instead of at depreciated cost, as required by NAIC SAP. This accounting practice increased statutory capital and surplus by \$X million and \$X million at December 31, 20X2 and 20X1, respectively, over what it would have been had the permitted practice not been allowed. The Company's statutory capital and surplus, including the effects of the permitted practice, was \$X million and \$X million at December 31, 20X2 and 20X1, respectively.

Had the Company amortized its goodwill over ten years and recorded its home office property at depreciated cost, in accordance with NAIC SAP, the Company's capital and surplus would have been \$X million and \$X million at December 31, 20X2 and 20X1, respectively.

Note 14: Commitments and Contingencies

Future minimum rental payments, principally for administrative offices, under noncancellable operating leases at December 31, 20X2, are: 20X3, \$1,113,000; 20X4, \$1,064,000; 20X5, \$1,011,000; 20X6, \$976,000; 20X7, \$976,000; and \$3,906,000 thereafter. Rental expense was \$1,164,000 in 20X2 and \$1,184,000 in 20X1.

ABC is named as defendant in a number of legal actions arising primarily from claims made under insurance contracts or in connection with previous reinsurance agreements. These actions have been considered in establishing its contract benefit liability. Management and its legal counsel are of the opinion that the settlement of these actions will not have a material effect on ABC's financial position or results of operations.

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